Swept away
Counting the cost of Old Man River
Page 4

The twain shall meet
Marrying Hong Kong and Chinese law
Page 10

Drag on drugs
Managed healthcare squeezes margins
Page 15

Port in a storm
Overproduction leaves wine shippers awash
Page 2

FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY JULY 13 1993

Tough action on spending pledged by EC ministers

European Community finance ministers pledged to take action to resolve the crisis in public finances among member states, and accepted that tax rises might be required to restore budgetary stability.

In response to a series of grim warnings from EC central bank governors, ministers agreed that spending cuts alone might not be enough to reduce public borrowing, which has soared as a result of the recession. Page 14

Mortar kills 12: Twelve people were killed when a mortar bomb slammed into a crowd waiting for water in Sarajevo, according to hospital reports. Serbs tighten grip on 'safe area', Page 2

Apple Computer again lowered the US prices of several of its personal computer products. The move followed reductions in May and June, as the company, which last week announced deep job cuts, struggles to maintain its sales momentum amid a price war. Page 18

Brittan foresees wider trade deal: The four-way tariff-cutting deal struck at the Tokyo summit last week was merely a "down payment" on a much larger prospective trade liberalisation accord, Sir Leon Brittan, EC trade commissioner, said in Geneva. Page 4; **Tough talking taints EC-Russian 'partnership' accord, Page 4**

Intellectuals to monitor the far right

Forty European intellectuals warned that the political far right was infiltrating the press, publishing houses and universities and announced the creation of a special monitoring group. The 40, who include Italian author Umberto Eco (left) and French semiologist Jacques Derrida, said the far right was conducting a "charm offensive" to legitimise itself in mainstream circles.

Chance to regain power: The Thai air force has been given an unexpected opportunity to try to reassert control over Thai International Airways, the country's flag carrier, with the death last week of its chairman. Page 3

Russian constitutional move: Russia nudged closer to becoming a law-based state when its Constitutional Convention approved a draft constitution setting out the fundamentals of a democratic country based on market principles. Page 2

Fannie Mae record: The US Federal National Mortgage Association reported record second-quarter profits of $458.8m as the favourable domestic interest rate environment provided a foundation for strong earnings growth. Page 18

Jail threat: German insider traders will face a jail term of up to five years, according to a draft law designed to enhance the competitiveness of Germany as a financial centre. Page 2

QVC, a leading US television shopping network, proposed a share-swap merger with its chief rival, scandal-battered Home Shopping Network. The deal would create a formidable power in the emerging market for electronic retailing. Page 15

UN initiative on Iraqi weapons: Rolf Ekeus, head of the United Nations special commission into Iraq's weapons of mass destruction, may fly to Baghdad this week in a further attempt to resolve the latest stand-off between Iraqi officials and UN weapons inspectors. Page 3

Stamping out ticket exploitation: The British government is to clamp down on ticket agencies which exploit London theatregoers, especially tourists. Some unwary visitors have ended up paying £45 ($66) for a £7 seat. Page 14

Peace talks fail: Attempts to agree a ceasefire in the struggle for the port of Sukhumi in the Georgian province of Abkhazia broke down. Page 2

Kidnap fear: Warnings that tourists should avoid eastern Turkey were renewed after it was confirmed that a missing British engineer and his Australian cousin had been kidnapped by the rebel Kurdistan Workers' party.

Intel, world's largest computer chipmaker, reported record revenue and earnings for the second quarter and said that it has shipped more than 10,000 Pentium chips, its new high performance microprocessor. Page 15

Earthquakes hit Japan: Two strong earthquakes rocked northern Japan, and seismologists warned that tidal waves could hit coastal areas.

■ STOCK MARKET INDICES

FT-SE 100:	2830.9	(-12.3)
Yield	4.04	
FT-SE Eurotrack 100	1232.90	(+2.34)
FT-A All-Share	1406.16	(-0.4%)
Nikkei	19,980.00	(+102.61)
New York lunchtime		
Dow Jones Ind Ave	3522.17	(+1.11)
S&P Composite	448.68	(+0.55)

■ US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.874%
Long Bond	106⅞
Yield	6.623%

■ LONDON MONEY

3-mo Interbank	6%	(same)
Liffe long gilt future:	Sep 108⅞	Sep 107⅞

■ NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$16.87	(16.51)

■ Gold

New York Comex (Aug)	$394.9	(392.3)
London	$394.05	(392.75)

■ STERLING

New York lunchtime:		
$	1.4785	
London:		
$	1.478	(1.4815)
DM	2.555	(2.55)
FFr	8.7275	(8.6675)
SFr	2.26	(2.2675)
Y	162	(162.5)
£ Index	80.8	(80.6)

■ DOLLAR

New York lunchtime:		
DM	1.72865	
FFr	5.9005	
SFr	1.52925	
Y	109.65	
London:		
DM	1.7285	(1.721)
FFr	5.905	(5.85)
SFr	1.5285	(1.5305)
Y	109.6	(109.65)
$ Index	66.5	(66.4)

Tokyo close Y 109.93

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.30
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Possibility of link with VW's Lopez probed by German prosecutors

Secret GM documents found

By Christopher Parkes in Frankfurt

GERMAN PROSECUTORS are looking for links between Volkswagen's controversial new production director Mr José Ignacio Lopez de Arriortúa and secret General Motors' documents found in a Wiesbaden apartment, according to legal officials.

Investigation of the US group's claims that Mr Lopez and junior colleagues took confidential information with them when they defected to VW this spring, took a new turn yesterday after confirmation from Opel that the discovery included details of a top-secret model planned by Adam Opel, GM's German subsidiary.

It also emerged that Mr Jorge Alvarez Aguirre, who lived in the apartment until recently, was formerly involved in Opel's new model policy through his job as head of Opel's advance purchasing department.

Mr Alvarez was one of two Opel employees who switched to VW shortly after Mr Lopez, head of global purchasing at GM, joined the German company in March. A further five members of his US team also moved to VW at around the same time.

"It is not only a question of the papers we found. We also have to see if there is proof that Mr Lopez has anything to do with the matter," Mr Georg Nauth, spokesman for the Darmstadt prosecutor's office, said yesterday. Interviewa with VW and Opel employees were continuing, but the issues raised by the Wiesbaden discovery made it "hard to say" how long the investigation would last, Mr Nauth said. There were many questions to be answered. For example: "If Mr Lopez had asked to see or saw the papers".

Four large boxes of documents had been discovered, "which did not belong where they were found," Mr Nauth added. He refused to confirm that they included details of Opel's most important current project – a cheap mini-car codenamed the "O-car". But that was not to say reports to that effect were wrong, he noted.

The O-car, which has several codenames, is a new cheap mini-vehicle, due for launch in the second half of this decade. The concept bears a striking resemblance to a projected "people's car" announced since Mr Lopez's arrival by Mr Ferdinand Piëch, VW chairman.

Opel's plans for a super-lean works to make the vehicle, provisionally earmarked for Hungary, also closely match those unveiled recently by Mr Lopez for his homeland in the Basque country, northern Spain. Mr Lopez played a leading role in developing Opel's project, and it was his disappointment that it would not be built in Spain which led to him leaving GM and being appointed head of production at VW.

VW, which last week stated that the Basque works would not be built "at this time," yesterday repeated its claim that none of the documents was secret. A lawyer speaking for Mr Alvarez made a similar claim, although he admitted he had not seen the papers.

Meanwhile, Mr Lopez and Mr Piëch were accused of "grave abuse of confidential data" by the head of the automotive industry research centre at Bamberg University. Mr Wolfgang Meinig said information on vehicle parts price developments, displayed at the VW general meeting, was taken from a secret report prepared for the VDA motor industry association.

The centre had specifically asked for this information to be treated as especially confidential.

Opel leak, Page 2
GM cautious on third quarter, Page 18

UN rejects call to halt Somali military action

By Michael Littlejohns in New York and Leslie Crawford in Nairobi

THE UNITED NATIONS last night rejected an Italian government request to suspend military action in Somalia following the worst bloodshed in Mogadishu, the capital, since UN troops took over the peacekeeping operation from the US in April.

More than a dozen Somalis died when UN forces bombarded a command centre of General Mohamed Farah Aideed, the fugitive warlord. A Mogadishu mob then killed two foreign journalists, a Briton and a German, in revenge. Two others were wounded and a further two remained missing last night.

The crowd paraded the bodies of 16 Somalis who had died in the air raid and said more were lying in the ruins of the Aideed compound. Supporters of Gen Aideed claimed up to 73 Somalis were dead, but a UN official said only 13 Somalis were killed and about 11 wounded.

Tension has escalated since Somali gunmen ambushed and killed 23 Pakistani peacekeepers on June 5. Since then, a further 22 UN soldiers have been killed. Many more Somalis have died during nightly air raids against Gen Aideed's strongholds. But the UN military operation has failed to capture the defiant general, who went underground after an arrest warrant was issued against him on June 17.

In Rome Mr Fabio Fabbri, Italy's defence minister, said he would ask the US and the UN to suspend combat operations in Somalia in an attempt to reduce tension in the former Italian colony.

"We suggest a cooling-off period to reduce tension, the suspension of combat operations and a renewed effort to restore dialogue," he said. Italy has deployed 2,600 troops in Somalia.

But Mr Joe Sills, a UN official in New York, emphasised that peacekeeping operations were mandated by the UN Security Council and were not subject to decision by individual members.

He told reporters that Mr Boutros Boutros Ghali, the UN secretary-general felt "very strongly" that in any UN operation the force commander must be in total control, while working within the Council mandate.

Somalis pass through a Mogadishu checkpoint manned by Italian UN troops searching for weapons on Sunday. The picture was taken by Hansi Krauss, the Associated Press photographer killed yesterday

Mr Sills refused to single out Italy for reproach and commented that "a number" of providers of UN contingents had sought a freer hand in Somalia.

General Bruno Loi, the Italian commander, is said often to have failed to consult the UN force commander, Turkish General Civek Bir.

For example, on July 2 when three soldiers were killed and 30 wounded in an ambush of 800 Italian troops, the UN was not informed in advance of a weapons search operation in which the Italians were engaged, and learnt about it only when urgent American support was requested.

Gen Bir has American and Pakistani deputies, but the Italians have accused the UN of running the show and have themselves sought a bigger role in decision making.

In Mogadishu the dead Europeans were named meanwhile as Mr Dan Eldon of Reuters and Mr Hansi Krauss of AP. Both were photographers.

Franc falls further despite German support

By John Ridding in Paris and Emma Tucker in London

THE Bundesbank intervened in international currency markets yesterday in an attempt to support the French franc, which came under attack in the European exchange rate mechanism.

Heavy selling of the franc pushed it below FFr3.41 to the D-Mark, less than two centimes above its ERM floor of FFr3.4305. The franc closed in London at FFr3.416, around its lowest level since the beginning of the year, compared with last Friday's close of FFr3.399.

As well as intervention by the German central bank, the franc's fall prompted a statement of support from Mr Theo Waigel, the German finance minister.

Mr Waigel said the fundamentals of the French economy were still healthy and confirmed the strength of Franco-German co-operation in monetary policy. Speaking in Brussels at a meeting of economic and finance ministers, Mr Waigel said further cuts in German interest rates were both possible and desirable.

The Bundesbank council meets on Thursday, but analysts discounted the prospect of a cut in rates unless pressure on the franc became more acute.

Analysts said the franc had been weakened by pessimistic reports about the French economy. A report last week by Insee, the national statistics office, forecast that gross domestic product would fall 0.7 per cent this year and that the unemployment rate would rise to 12.5 per cent by the end of December.

Mr Edouard Balladur, the French prime minister, also expressed his determination to avoid a devaluation of the franc. In an interview in the Figaro newspaper, he said: "I am indestructibly attached to the stability of the franc within the European monetary system. I exclude for today, and tomorrow, any other policy."

But economists said they expected the weakness of the franc to continue as investors moved short and long-term funds

Continued on Page 14
Currencies, Page 32

Japanese banks halt loans to debt-laden property developer

By Robert Thomson in Tokyo

LONG-TERM Credit Bank of Japan and four other leading Japanese banks yesterday said they would halt lending to EIE International, a once-aggressive property developer now weighed down by Y700bn ($6.5bn) in debts.

Japanese banks have traditionally been reluctant to cut their lifelines to debt-stricken corporate customers, but the EIE International case could mark the start of a tougher approach as the banks write off a mounting pile of non-performing property loans.

EIE International owns hotel resorts and office buildings in the UK, the US, Australia and south-east Asia. Its break with the banks came after a dispute with LTCB, which has Y190bn in loans outstanding to the company, about half of them defined as "bad".

LTCB said any loan losses would be covered through the sale of its long-term holdings of shares. The bank said the decision to confront the bad debts was taken in the interests of "financial soundness".

The removal of LTCB's support raises questions about how the EIE group will service its debts from now on since the move sends a clear signal to other banks that it will no longer be responsible for the developer's debts.

Trading in two affiliates of the unlisted EIE International was suspended yesterday. Sea-Com, a shipping and resort company, is listed on the second section of the Tokyo exchange while Electronic and Industrial Enterprises, an electronics supplier, is traded on the over-the-counter market.

Mr Harunori Takahashi, president of EIE International, called a staff meeting yesterday to reassure them that tha company would continue trading.

EIE group and its bankers, LTCB, Mitsui Trust and Banking, Mitsubishi Trust and Banking, Sumitomo Trust and Banking and Nippon Credit Bank, have been renegotiating a restructuring package. The banks say the developer was unwilling to accept terms, which included a quickening of property disposals.

Mr Takahashi still has a remarkable collection of buildings, though it is unclear how many will be left in his control if the banks begin calling in their collateral. His group owns Bond University in Australia and luxury hotels in several countries, including a floating hotel moored on the Saigon River in Vietnam.

Top Israelis met PLO at peace talks says Arafat

By Mark Nicholson in Cairo and Julian Ozanne in Jerusalem

SENIOR Israeli and Palestine Liberation Organisation officials held their first-ever direct discussions during last month's Middle East peace talks in Washington, according to Mr Yassir Arafat, the PLO chairman.

Mr Arafat told Reuters news agency in Tunis that there were two meetings in Washington aimed at breaking the deadlock in the talks, but they were "unsuccessful".

The claim of government-backed contacts was denied in Jerusalem by the office of Mr Yitzhak Rabin, the prime minister, and by Mr Shimon Peres, the foreign minister. However, a Labour member of parliament said his PLO contacts confirmed that Labour MPs had met the PLO, although only with "semi-official" backing.

Direct dialogue with the PLO was expressly proscribed by Israel in its conditions for entering the peace process, on the grounds that it is a terrorist organisation dedicated to the destruction of the Jewish state.

However, the Israeli parliament

Continued on Page 14

CONTENTS

© THE FINANCIAL TIMES LIMITED 1993 No 32,112 Week No 28 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: EUROPE

Serb forces tighten grip on UN 'safe area'

By Laura Silber in Belgrade

SERB forces yesterday seized the strategic village of Trnovo to the west of Gorazde in an effort to tighten their stranglehold on the Moslem enclave proclaimed a United Nations "safe area".

Bosnian Serb fighters yesterday celebrated what they called the "liberation" of Trnovo and the seizure of the Rogoj mountain pass and surrounding villages. Radio Belgrade said General Ratko Mladic, the nationalist Serb commander, had personally conducted the campaign for Trnovo, 18 miles south of Sarajevo, the Bosnian capital.

Another so-called safe area, Sarajevo is now even more vulnerable to its Serb besiegers on the surrounding hills. The latest Serb advance drives a wedge between Gorazde and Sarajevo, two of six Moslem enclaves supposedly under UN protection.

At least 12 people were killed and 15 wounded in the Dobrinja area of the city when a Serb mortar exploded in a crowd queueing for water. Serb forces have cut supplies of water, electricity and fuel. The water supply is about a half litre per person each day. Relief workers said yesterday some of the 380,000 people, trapped for 18 months, were drinking water from polluted city wells.

Fighting intensified in most parts of Bosnia, according to local media reports. Radio Sarajevo said the Croatian Defence Council (HVO) was deploying reinforcements to Mostar, the southwestern city. It said the Moslem-held towns of Fojnica, Jablanica and Konjic were under Croat attack.

A British UN soldier was wounded near Gornji Vakuf, central Bosnia, when his vehicle hit a mine on an aid route.

Serbian radio said Moslem fighters had "retreated in panic leaving behind scores of dead and large quantities of weapons and ammunition.... These successful activities dealt a serious blow to the Moslem forces, smashing their dream of linking by violent means through centuries old Serbian territory. Moslems comprised 69 per cent of the 6,900 population of Trnovo.

As the international community tries to press the Bosnian presidency to accept the republic's ethnic partition, Serb forces are pushing forward to enlarge their state, which covers some 70 per cent of Bosnia. Croats, too, are consolidating territory for their ethnic mini-state.

A Bosnian Serb army statement yesterday claimed its offensive was prompted by Moslem attempts to widen a corridor used to transport supplies to tens of thousands of Moslems trapped in Gorazde.

Hopes for progress at the Geneva peace talks were made more remote after bilateral talks broke down between Zagreb officials and Serb rebels from Croatia. Croatia plans to set up a pontoon bridge on July 18 which Serbs have vowed to destroy raising fears of the re-ignition of the war.

● Foreign ministers from 17 Islamic countries, including Bosnia-Hercegovina, yesterday began a two-day special meeting organised by the Organisation of Islamic Countries to discuss the situation in Bosnia, Farhan Bokhari writes from Islamabad. Mr Haris Silajdzic, Bosnian foreign minister, appealed for more troops to serve under the UN, and an end to the arms embargo.

Opel leak shocks motor industry

By John Griffiths

MOTOR industry executives yesterday expressed surprise at the German announcement that plans for Opel's top-secret model had been found in a flat in Wiesbaden, saying theirs was an industry that was generally free of industrial espionage.

They said manufacturers searching for ways of increasing competitiveness normally had relatively little difficulty keeping them in-house thanks to the industry's "confidentiality clause" contract system.

Engineers, senior managers and others with access at an early stage to new model programmes, investment and technology strategies have these clauses written into their contracts – and few have been known to abuse them.

"The reason is fairly obvious in the case of anyone whose career is in the industry," one UK motor industry executive who wished to remain anonymous said last night.

"There might be a short-term gain for someone moving confidential information from one company to another. But in the long-term? What does that engineer or executive do if he or she wants or needs to make another move? The word would have got around about what had happened. Put simply, there would be nowhere else in the industry for that person to go."

The system has also survived substantial change in the organisation and processes of the industry which have meant that many more people than even five years ago necessarily have knowledge of key projects and strategies at an early stage.

"The days when a car maker's board had all the good ideas and took decisions behind closed doors has gone," said another.

"If it's a significant project, it will involve the use of a centralised computer database and require information and input at an early stage from people in middle management, engineers and similar."

Georgia peace negotiations break down

By John Lloyd in Moscow

ATTEMPTS to agree a ceasefire in the violent struggle for the port of Sukhumi in the Georgian province of Abkhazia broke down yesterday in Moscow.

At the same time, Mr Eduard Shevardnadze, the Georgian leader, warned in the Black Sea port that he was prepared to take harsher action to put down the revolt in the province, where separatists have waged an 18-month struggle to secede from Georgia and join the Russian federation.

Mr Shevardnadze, who has twice come under shell-fire at his army headquarters in Sukhumi, said on Sunday: "Perhaps we must look at resolving this conflict through a combination of military and peaceful means. Until now we have tried to use only peaceful means."

Hopes for a negotiated ceasefire through the mediation of Mr Boris Pastukhov, Russia's deputy foreign minister, faded yesterday on Abkhazian demands. These insisted that an Abkhazian parliament and other institutions be permitted to return to Sukhumi and begin work as soon as a ceasefire was agreed, a condition unacceptable to the Georgian side, which still claims authority over Abkhazia.

Most of the province is now in secessionist hands, except for the disputed capital of Sukhumi and the town of Ochamchira.

Russia is accused by many Georgians of supplying military and other assistance to the Abkhazian side. However, Mr Shevardnadze at the weekend said that Mr Tengiz Sigua, the prime minister, had been wrong to threaten to break off diplomatic relations with Moscow. Such a move was "unthinkable".

Draft law aims to enhance country's standing as a financial centre

German insider traders may get 5 years

By David Waller in Frankfurt

GERMAN insider traders will face a jail term of up to five years, according to a draft law published by the German finance ministry yesterday.

The law is designed to enhance the competitiveness of Finanzplatz Deutschland – Germany as a financial centre – by bringing the regulatory environment for the German securities industry up to international standards.

Central to this is the criminalisation of insider dealing, a practice which is treated as a form of theft in the UK, the US and other major industrial countries, but remains legal, though increasingly frowned-upon in Germany.

Other measures include:

● Companies will be obliged to disclose shareholdings in other companies when they reach 5 per cent, rather than at 25 per cent at present. Failure to make the disclosure will be subject to a fine of DM500,000 (£196,850) and could result in loss of the right to exercise voting control over the shares.

● It will create a German equivalent of the Securities & Exchange Commission, the centralised supervisory body for the US securities industry.

● It will set the minimal nominal value of German shares at DM5 rather than the current DM50 in a deliberate bid to make German shares more attractive to international investors who, the draft law argues, are deterred from investing in German equities because of prices ranging from DM500 to DM1000 per share.

The law, likely to be enacted in the first half of next year, divides insider dealing into two categories. Primary violators will be those who have direct access to sensitive information because of their position, for example within company management; or as a shareholder or member of a supervisory board. Secondary violators will be those who deal on sensitive information obtained from primary sources, for which the jail term will be three years.

The law is based on draft proposals floated by the finance ministry in January of last year. The delay, which in part reflects the technical and political difficulties of devising a regulatory structure for the German markets, has more recently become an embarrassment for Germany in the wake of controversial share purchases by Mr Franz Steinkühler, the former head of the IG Metall Union.

Mr Steinkühler denied dealing in insider information gained from his position on the supervisory board of Daimler when he bought shares in Mercedes Holding (MAH), a Daimler-Benz holding company, shortly before an announcement which led to a sharp rise in MAH's share price. The dealings served to expose the inadequacies of the regulatory environment in Germany and senior bankers called for an acceleration in the pace of reforms.

Germany's man at EBRD not quitting

By Quentin Peel in Bonn

MR MANFRED Abelein, German vice-president on the board of the European Bank for Reconstruction and Development, yesterday denied that Bonn was about to replace him because of business dealings in east Germany.

The German finance minister, Mr Theo Waigel, also rejected a report in Der Spiegel, that he and Chancellor Helmut Kohl had decided to replace him at the bank, whose president, Mr Jacques Attali, quit two weeks ago.

Mr Abelein issued a statement stating that his activities on behalf of the east German car manufacturer SAZ – the state enterprise which produced the ubiquitous Trabant saloon car – preceded his appointment as a director of the bank. He denied having had any second job while working at the bank.

He was involved at the SAZ company in Zwickau as a legal adviser for the sale of its driveshaft works, eventually bought by Britain's GKN. Subsequently Mr Abelein, for 25 years a Christian Democrat member of the German Bundestag, and a close colleague of Mr Kohl, became a member, and then chairman, of the SAZ supervisory board.

According to Der Spiegel, Mr Abelein and a business partner, Mr Werner Frantz, submitted a bill for their activities on behalf of the company totalling more than DM6.5m, (£2.55m) based on an estimated value of the driveshaft works of DM203m.

The magazine said the bill was questioned by SAZ management, and reduced by over DM2m.

Mr Abelein said his fees had been investigated by a neutral source at his request, and an agreement reached with the Treuhand privatisation agency, which still owns SAZ, on an agreed sum. He said he had not repaid any money to the agency.

He gave up his position as chairman of the SAZ supervisory board at the end of 1992.

Glyn Genin

A Portuguese cooper at work on a port pipe which holds 550 litres of wine

Port growers over a barrel

Peter Wise looks at licences, losses and over-production

PORT wine shippers say their centuries-old trade is facing a collapse in prices and the possibility of 30,000 grape growers being left destitute.

The reason is not to do with the world recession but a breakdown in the balance between sales and production.

The Association of Port Wine Shippers (AEVP) is refusing to make any commitment about quantities of wine they will buy in 1993 or how much they will pay. "We already have millions of pounds tied up in stock," said one shipper, "and we simply cannot undertake to increase our stocks further without some guarantee that over-production will cease."

The shippers' underlying fear is that over-production and falling prices will undermine the prestige of port and its hard won reputation.

In a harshly-worded letter to Mr Anibal Cavaco Silva, the Portuguese prime minister, the AEVP warns: "The lowering of consumer prices is discrediting the product, which could suffer the same fate as sherry, with a swing of consumption away to competing drinks."

The association also queries procedures for issuing licences to growers, expressing concern about what they perceive as a lack of control over distributing licences.

They note that the Casa do Douro (House of Douro), which controls wine production in port's demarcated zone in the upper reaches of the Douro river, has granted licences for more than 100,000 pipes of wine in excess of the government stipulated total. (A pipe equals 550 litres.)

This means that stocks of port are now vastly in excess of forecast demand, even allowing for the "law of the third". This was imposed to guarantee a minimum age for port on the market and states that a company cannot sell more in a given year than one-third of stocks in December of the previous year.

Buyers for European supermarkets that purchase large quantities of port for bottling under their own label have taken advantage of the over-production and the price of buyer's-own-brand (BOB) port has dropped 20 per cent over the past year. Over-production has also hit premium branded port.

The pressure of over-production is now coming to a head and the hardest-hit victims will be the grape farmers of the upper Douro valley. The region was the first to be demarcated in 1756 and farmers are totally dependent on vines for their livelihoods.

Farmers, forced by over-production to sell below cost, face real hardships and there have been angry demonstrations in the streets of Regua, the grape-growing capital.

The amount of wine that can be produced each year is stipulated by a government body, the Port Wine Institute (IVP), on a basis of existing stocks, forecast sales and other factors.

But the responsibility for distributing individual licences stating how much farmers can produce and of what quality, falls to the Casa do Douro.

This is a corporate body left over from the Salazar dictatorship, to which all farmers must belong. Besides allocating growing licences, it also represents farmers in terms of prices fixed with the shippers and buys excess production from growers.

From 1986 the Casa do Douro began issuing production licences far in excess of the overall limit set by the IVP. By 1992 the accumulated excess had reached more than 100,000 pipes. In 1992, the shippers stepped in to buy the excess production of the 1991 harvest themselves to stop the market from being flooded.

The shippers point out that the biggest excesses came in an election year and that the votes of 30,000 farmers were clearly more important than 40 shippers. Some shippers have hinted at corruption saying "the money for election campaigns has to come from somewhere".

The Casa de Douro complicated the issue even further in 1990 when it bought 40 per cent of the second largest Port shipper, Real Companhia Velha (RCV). The Italian financier Carlo De Benedetti and his Portuguese partner recently pulled out of RCV after a year of management squabbles. The Casa do Douro is burdened with debts of over Es25bn and stocks that may be worth a lot less than the market prices that body's supporting banks attribute to them.

The solution, according to the shippers, is to wipe the Casa do Douro's massive stocks off the market by distilling them into grape brandy and to hand over production licences to a more independent body such as the IVP. The AEVP urges low production levels over the next few years to restore the balance between stocks and demand.

"We've just been all over Europe holding tastings to celebrate 1991 as a vintage year," said one shipper, "but the truth is the trade is in deep trouble and something needs to be done very quickly."

Constitutional reform a step closer in Russia

By John Lloyd and Dmitri Volkov in Moscow

RUSSIA nudged a little closer to its goal of becoming a law-based state yesterday when its constitutional convention approved by a large majority a draft constitution setting out the fundamentals of a democratic country based on market principles.

Mr Boris Yeltsin, the Russian president, said that "it's now clear that without a principled resolution of the constitutional problem further progress on economic reform is simply impossible in principle".

The document, which runs to 133 articles, now passes for further revision to the assemblies of the regions and republics across Russia – a sure recipe, as Mr Yeltsin tacitly acknowledged, for further delay and extensive revision. The redrafted document is unlikely to be ready by Mr Yeltsin's target date of early August for approval by the convention.

At least a third of the representatives from the regions and the repubbcs – who were the dominant force in the constitutional convention – did not initial the document, and even those who did made it clear that their parliaments were free to revise the document radically.

Mr Victor Stepanov, head of the Karelia republic, said: "We'll take at least two months to go through this properly and there are many things we don't like in it."

Mr Yeltsin, in his speech to the convention, said that the new phenomenon of "republicanisation" – regions naming themselves republics in order to qualify for greater privileges under the new constitution – was a futile exercise because, under the constitution, regions and republic had equal rights. This, however, is itself a further cause of difficulty since the republics, traditionally favoured in the Soviet system, wish to preserve their differential privilege.

The draft constitution gives a number of concessions to the regions – giving them the right to have their own "charter" as an antidote to their complaint that republics have the right to a constitution.

They also have the right to promulgate new laws – though, as Mr Yeltsin noted, the tax regime is still undefined between the centre and the regions and republics.

The draft also allows regions and republics to sign separate treaties on bilateral relations with Moscow – a clause inserted at tha insistence of the Tatar republic, the most powerful and independent-minded of all the subjects of the federation.

Under the existing constitution, the draft will eventually need to cross the hurdle of being approved by the existing parliament, which is an unlikely prospect. The president's advisers now seem inclined to propose that the convention pass a law on elections – a law which would allow elections later this year to a new form of parliament which would then adopt tha constitution.

Far-right arrests in Italy

By Robert Graham in Rome

ITALIAN police yesterday arrested Mr Franco Freda, a well known right-wing extremist, on charges of organising a neo-Nazi party and of racism. At least six other people were detained in different parts of the country.

Organising a neo-Nazi or fascist party has been a crime since 1952, but it is the first time legislation, approved last month, to clamp down on racism has been used.

The arrests suggest the authorities are taking seriously the threat of organised attacks against immigrants and incitement to racism, especially in the light of developments in Germany. In the past year some 300 actions by right-wing extremists have been reported. These have usually been carried out by so-called "Nazi-skins" – shaven-headed youths adorned with Nazi symbols.

Mr Freda recently founded the National Front, which magistrates believe is run from Verona.

He was acquitted in 1985 of involvement in one of Italy's main unresolved terrorist incidents – the planting of a bomb in Milan's Piazza Fontana in 1969 which killed 17 people and left hundreds wounded.

Community ministers build on summit growth initiative

By David Gardner in Brussels

EUROPEAN Community finance ministers yesterday provisionally approved loan facilities worth Ecu8bn (£6.18bn), to try to speed economic recovery and build on the modest "growth initiative" agreed at last December's Edinburgh summit.

If confirmed, after more work on the details of tha loans, the move amounts to a sort of deficit-financing, in which the EC has not previously indulged.

The facilities take the form of an Ecu5bn bridging loan for mainly infrastructure projects across the Community; Ecu2bn in European Investment Bank loans for cross-border transport and communications networks; and Ecu1bn in soft loans to small and medium-sized industries.

The bridging loan will be repaid, by 1999, out of the structural funds, the Ecu141.5bn regional and structural aid package agreed at Edinburgh. The intention is for the EC to borrow in the markets to speed up this development spending.

The soft loans for small to medium-sized companies will have an interest rate subsidy of about Ecu129m, part financed out of the EC budget and part paid for from the structural funds.

Agreement on how to share out the structural funds is at the moment held up by a wrangle over how big a share should go to Ireland, one of the four poorest member states which receive favoured treatment to enable them to catch up with average EC income levels.

Separately, the ministers failed to unblock a measure increasing EC travel allowances. Germany had blocked an agreement in principle last year, linking any go-ahead to agreement on an EC-wide road charges system and liberalisation of road haulage.

Both these issues were the subject of a political agreement on June 19, but Germany appears anxious to see the final text on the road transport measures before surrendering its last negotiating ace.

Ciampi aims for extra revenue

THE Italian government is considering raising L32,000bn-L35,000bn (£13.7bn-£15bn) in extra revenues and spending cuts in the 1994 budget, writes Robert Graham in Rome. The aim is to hold the public sector deficit next year to L150,000bn, a small reduction on the 1993 target of L155,000bn.

The budget outlines emerged yesterday as the government indicated it hoped to have the details agreed in cabinet either by the end of this week or early next. Today, Mr Carlo Azeglio Ciampi, prime minister, will be unveiling to parliament his government's three-year macro-economic projections for 1994-96. This will in turn provide the framework for discussion of the 1994 budget.

Weak economy helps drop in French inflation to 1.9%

By John Ridding in Paris

SHARP falls in the price of food and crude oil and weak economic activity kept French consumer prices stable in June, Insee, the national statistics institute announced yesterday.

The annual rate of inflation fell slightly from 2 per cent in May to 1.9 per cent, its lowest rate since last December.

Mr Edmond Alphandery, the economics minister, said the figures showed France had managed to maintain a favourable inflation rate compared with its principal trading partners. But economists in Paris said the figures also reflected the impact of recession.

"With the rise in unemployment, which is expected to exceed 12 per cent by the end of the year, and with gloomy economic statistics, consumers are preferring to save rather than spend," said an economist at one French bank. "The government may welcome low inflation, but it is also a sign of declining activity."

Food prices fell by 0.7 per cent in June compared with May, while oil prices were 0.4 per cent lower. Prices of manufactured products fell by 0.1 per cent compared with May. The stability in the consumer price index in June, which was unchanged to 0.1 per cent lower, occurred despite two increases in tobacco taxes during the spring.

The increases raised tobacco prices by 4.6 in June, compared with May. Seasonally adjusted, Insee said that retail prices in June showed a slight increase of between 0.1 and 0.2 per cent.

They said that the reduction in inflationary pressure also reflected a reduction in import prices following currency devaluations by several of France's trading partners.

A spokesman for the institute said that consumer prices were likely to increase again over the next few months. He said that an increase of 5.3 per cent in petrol taxes, imposed from yesterday, and a 16 per cent increase in the duty on alcoholic drinks from July 1, would feed through into a higher inflation rate.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone 49 69 156 850, Fax 4969 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Seoul warns of slow progress on N-talks

By John Burton in Seoul

EFFORTS to resolve the North Korean nuclear issue will take several months of "painstaking negotiations," Mr Han Sung-joo, the South Korean foreign minister, said yesterday.

Mr Han cautioned that the process would be complicated because North Korea must hold separate talks with the US, South Korea and the International Atomic Energy Agency (IAEA) on allowing full nuclear inspections.

The US will start talks with North Korea tomorrow in Geneva to persuade Pyongyang to stay within the nuclear non-proliferation treaty (NPT) and accept IAEA inspections of two nuclear waste facilities that could determine whether North Korea is processing more plutonium than it has declared.

'We recognise that North Korea may have felt insecure'

The US has also indicated that progress should be achieved in implementing mutual nuclear inspections between North and South Korea before it is willing to expand relations with Pyongyang. North Korea has recently adopted a conciliatory attitude towards the US in preparation for the talks, including toning down its anti-US rhetoric and yesterday returning the remains of 17 UN soldiers killed during the Korean War.

Pyongyang is sending a "signal to Washington that it is interested in improving relations," said Mr Han.

In contrast, US president Bill Clinton during his weekend visit to South Korea appeared to toughen his stance against the North Korean nuclear programme. Earlier he had offered concessions including allowing high-level meetings between US and North Korean officials after Pyongyang threatened in March to leave the NPT. The talks in New York eventually persuaded North Korea to suspend its NPT withdrawal last month.

The tougher US approach has the full backing of Seoul, according to Mr Han.

"We recognised North Korea may have felt insecure and we tried to take measures to allay unnecessary fears North Korea may have had," he explained about the first round of US-North Korean negotiations.

The sharper tone now being adopted was meant to emphasise to North Korea that the nuclear issue "is a very serious matter and must be resolved," he added.

The foreign minister denied there were any differences between the US and South Korea on how to deal with the North Korean issue, explaining that Seoul did not favour a more conciliatory approach than Washington.

He was "neither optimistic nor pessimistic about the outcome" of this week's US-North Korean talks. However, Pyongyang had no choice but to accept nuclear inspections because it wanted to avoid UN economic sanctions. "I have no doubt that sanctions are something North Korea does not want to be faced with," Mr Han said, referring to the country's difficult economic situation.

State banks feel the pinch in Indonesia

THE Indonesian government is preparing for battle with its recalcitrant state banks amid growing concern about their loans.

A study by the World Bank, giving an economic overview to an aid donors' conference in Paris at the end of June, said in a section on the banking system that "loan portfolio quality has deteriorated sharply since 1990. . . maintaining stability in the banking system is now the chief objective of financial policy".

This was followed by a leaked local report on the finances of the state banks, which accounted for over half the banking sector's total assets of Rp123,689bn ($58.7bn) at the end of 1992.

Details of the report began to appear in the Indonesian press last month. Government officials deny it was drawn up by the central bank and will not confirm its authenticity, but say it could be the work of "monetary authorities".

The report estimates that last December 32 per cent of state banks' loan portfolio of Rp71,701bn were non-performing - usually defined as having no interest paid for more than three months. It also says that Rp21,000bn in loans were made by six state banks to just 35 companies, of which 26 were in payment arrears on loans totalling Rp6,927bn.

The state banks are renowned for having suffered years of incompetent and corrupt management. The problem they present to the government, however, is more than just bad banking practice. Many of the 26 companies allegedly in arrears are newly emerging, politically well-connected conglomerates, including three led by relatives of President Suharto.

In its study, the World Bank criticises such conglomerates, pointing out their formation "may not be to take advantage of competitive opportunities". It suggests they are seeking excess profits from monopolies granted by the government.

It says: "The growth of conglomerates during the 1980s appears to have been much faster than could be sustained from retained earnings. . . the implication is that debt-financing has been a major source of growth."

The apparent result is an array of conglomerates - whose interests range from financial services to agri-business and petrochemicals - built upon state bank loans which, despite the borrowers' often monopolistic positions, have turned sour.

Many bankers believe the conglomerates can afford to service the loans but they doubt the government has sufficient leverage to enforce repayment. As one business executive explains, "many of the conglomerates see themselves as shareholders in President Suharto's regime".

Dr Sjahrir, managing director of the Institute for Economic and Financial Research in Jakarta, says: "The only path by which you can control their power is through a more efficient market system, so that you have more competitive pressure for each conglomerate."

William Keeling on concern over quality of loans

Bankers say, however, that the government is responding to the crisis.

The government might intervene by forcing conglomerates to sell shares to state pension funds. The finance raised could pay off the conglomerates' bad debt and give the pension funds equity in some of Indonesia's largest businesses.

The government has also taken up a suggestion in the World Bank study that "lower interest rates would both improve financial soundness and spur credit growth". Bank Indonesia has cut by one-third to an average 8.5 per cent the key interest on government bonds since the beginning of May and state banks have lowered deposit and lending rates.

A sudden increase in credit, however, could result in a surge in imports, deteriorating balance of payments and inflationary pressures.

Economists also warn that new credit provided by banks could itself become non-performing. They point out that many private banks - also burdened by non-performing loans - are owned by the same conglomerates indebted to the state banks and which have often used their banking subsidiaries to fund intra-group activities.

A lowering of interest rates, therefore, is unlikely to pull the banking system back into line. Instead, the long-term solution lies in withdrawing the political patronage by which conglomerates have obtained state bank credit and the confidence not to repay.

Whether the government has the stomach fully to engage the conglomerates remains to be seen.

Italy seeks to calm row with US on Somalia

By Robert Graham in Rome

ITALY yesterday sought to calm a growing row with the US over the handling of military operations in Somalia.

Mr Fabio Fabbri, the defence minister, said it would be a mistake to allow mutual recriminations between the Italian contingent in Mogadishu and the US-controlled United Nations forces in Somalia (Unisom) to get out of hand.

Italian forces in Mogadishu, who 10 days ago suffered three killed and 21 wounded, has blamed the US for failing to consult and co-ordinate. This led at the Tokyo summit of the Group of Seven leading industrial nations to an agreement between US and Italian officials that the their local diplomats in Mogadishu should form a political co-ordinating committee.

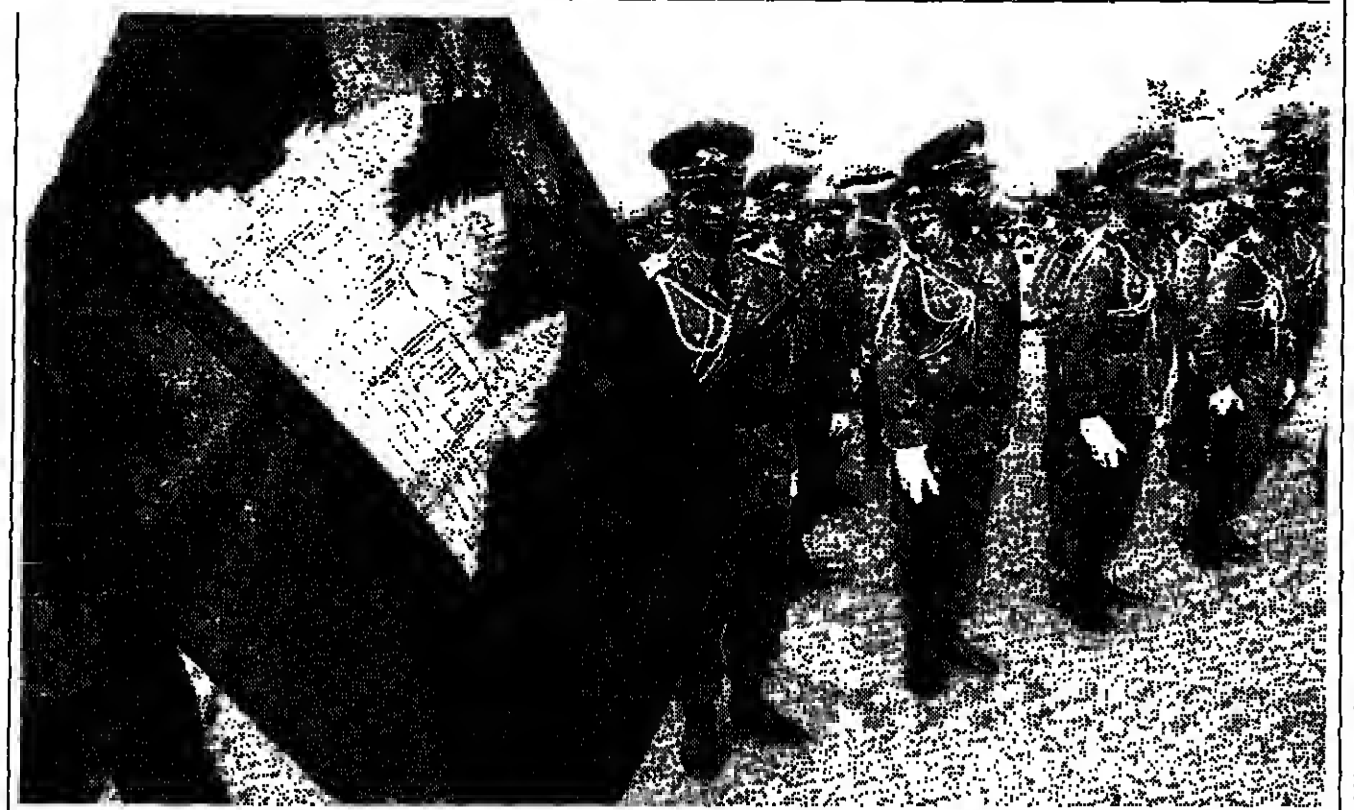
However, Italian politicians and the press have complained that Italian troops have been placed in a highly volatile area of the Somali capital and possess equipment geared to a humanitarian peace keeping mission - not a peace enforcement mission which it has now become.

Yesterday Mr Fabbri said Italy had requested "a reassessment of the aims of the mission which covers the relationship between the end - pacification, conciliation and humanitarian aid - and the means."

The minister went on to warn that there was a real danger that the turn of events was leading the mission towards "a long period of combat operations."

Mr Fabbri's observations coincided with the approval of the budget for Italy's 2,500 troops in Somalia.

The first six months have cost L553bn ($237m) and a further L800bn for the final half of 1993.



Cambodia's army displays the country's new flag yesterday, reinstated from Prince Norodom Sihanouk's rule in the 1960s

Thai air force seeks renewal of power at national airline

By William Barnes in Bangkok

THE THAI air force has been given an unexpected opportunity to try to reassert control over Thai International Airways, the country's flag carrier, following the sudden death last week of its chairman, Mr Pandit Bunyapana.

Thai International's vice-chairman, Air Chief Marshal Gun Pimarnthip, has clearly signalled that the air force which he heads should decide who replaces Mr Pandit as chairman.

Air Chief Marshal Gun threatened to resign in February because the air force was being given little say in running the company.

Thai International was an air force fiefdom until the military's fall from grace last year following its unsuccessful but bloody attempt to maintain control of the government.

Air Chief Marshal Kaset Rojananil, who had been chairman until then, was replaced by Mr Pandit, permanent secretary at the finance ministry which is the majority shareholder.

Mr Pandit apparently died in his sleep of a heart attack last Thursday while on a Thai International flight from London to Bangkok.

Manoeuvring to replace Mr Pandit has been complicated by the retirement this year of Air Chief Marshal Gun himself and the airline's respected president, Mr Chatrachai Bunya-ananta.

Joining the faction-ridden management, the finance ministry and the air force in the tussle for control of Thai has been an ambitious deputy transport and communications minister, Mr Thawee Kraiupti, who has led a crusade for the carrier to be brought under his ministry's jurisdiction.

One airline analyst in Bangkok said: "It's a four-way fight for control which - by the end of the decade - the management will have won because Thai will never be competitive in the long run without independent professional management. The question is how painful the process is going to be."

A minority of the airline's shares was floated in July 1993. It has struggled in recent years under the weight of previous management mistakes and over-optimism.

Profits for the latest half-year were Bt568.4m ($22.5m) compared with Bt1.31bn in 1992. Many brokers say full year profits will be little more than Bt2bn - a third of the company's original forecasts.

Thai International's share price has risen 22 per cent over the last five trading days, hitting its 10 per cent daily limit rise over each of the last two trading sessions, to close at Bt49.75 yesterday.

NEWS IN BRIEF

US seeds factory stormed by Indian farmers

FARMERS yesterday tore down the administrative block of the Cargill Seeds factory at Siravara in the southern Indian state of Karnataka to protest against the US multinational's operations in India, which it said deprived local farmers of their livelihood, writes Shiraz Sidhva in New Delhi.

Police arrested 50 activists of the powerful Karnataka Farmers' Association after they attacked the Cargill office building.

Mr M D Nanjundaswamy, member of the Karnataka legislative assembly and president of the association, said similar attacks would be launched on multinationals trying to patent seeds and plants that Indians had used for centuries.

The farmers plan to step up their campaign later this month to protect the interests of small farmers who feel threatened by efforts to tighten patent laws in developing countries as part of a move to conclude the Uruguay Round of the General Agreement on Tariffs and Trade.

Cargill South East Asia, a subsidiary of Cargill Inc, is also facing the wrath of salt farmers and environmeotalists in the Kutch region in Gujarat on India's west coast after the government cleared the allotment of 15,000 acres of land near the Kandla port there to set up a salt manufacturing unit.

● Indian police yesterday arrested nearly 200 activists of the Bhartiya Janata party, the largest opposition party, averting an attempt to disrupt the first day of the Maharashtra legislative assembly's latest session.

Earthquakes hit north Japan

Powerful earthquakes jolted wide areas of northern Japan yesterday and residents in coastal areas braced for tidal waves, Reuter reports from Tokyo. A series of strong tremors of up to 7.8 on the Richter scale struck beneath waters southwest of Japan's main northern island of Hokkaido, the National Meteorological Agency said. Seismologists issued tidal wave warnings for much of northern and western Japan. NHK television said several people were injured.

Moroccan unionist pardoned

Mr Nouhir Amaoui, the secretary general of Morocco's influential trade union, the Confederation Democratique du Travail (CDT), was released from prison yesterday after being pardoned by King Hassan, writes Francis Ghilès in London. He had been sentenced to two years' imprisonment for allegedly "insulting the government" in an interview published 18 months ago.

Mr Amaoui is a member of the ruling council of the Moroccan opposition party Union Socialiste des Forces Populaires (USFP). Three weeks ago the USFP won 48 seats in elections considered by observers to be the fairest in many years.

China to cut metal jobs

China's metal industry is the latest state-owned operation to announce a big restructuring, promising to cut 330,000 jobs during the next seven years, Renter reports from Beijing.

But few if any of the workers to be laid off by the China National Nonferrous Metals Industry Corp (CNNC) will end up jobless, the China Daily said yesterday. "Workers made redundant are to be re-employed in service industries and other profitable businesses set up under collective ownership by CNNC's subsidiaries," the official newspaper said.

Liberians seek ceasefire pact

Liberia's three warring factions yesterday began drafting a new ceasefire accord to try to end the country's civil war, Renter reports from Geneva.

United Nations and African officials said the factions and the interim government of national unity were reworking a failed 1991 pact. The text was being finalised before going to a full session of the week-long negotiations, which began on Saturday at the UN's European headquarters.

Togo parties agree on elections

Togo's government and opposition have signed an accord for the West African country's first multi-party elections after two years of often bloody transition, Renter reports from Lome. The president of the COD 2 opposition alliance said the agreement meant Togo was finally on the way to democracy.

UN arms expert may fly to Baghdad this week

By Mark Nicholson in Cairo

MR ROLF EKEUS, head of the United Nations special commission into Iraq's weapons of mass destruction, may fly to Baghdad this week in a further attempt to resolve peacefully the latest stand-off between Iraqi officials and UN weapons inspectors, diplomats at the UN said yesterday.

The UN Security Council was last night discussing its next move in the impasse, which follows the abrupt departure from Iraq on Sunday of a UN weapons inspection team after it failed to win Iraq's agreement to seal monitoring equipment at two missile testing sites.

Mr Ekeus has visited Iraq before to defuse similar stand-offs. One UN diplomat said another trip this week would enable the Security Council "not to act precipitately, but show that it was serious" aboot forcing Iraqi compliance with Gulf war ceasefire resolutions.

Iraqi newspapers yesterday suggested Mr Ekeus would find little warmth in Baghdad. The official al-Jumhuriya decried attempts to monitor the test sites as "evidence of the wicked and malicious intentions of Ekeus and the criminal designs of those standing behind him".

The Security Council has already warned in a June 18 statement of "serious consequences" should Iraq continue to resist UN attempts to monitor the sites at al-Rafah and Yam al-Azim, respectively 70km west and south-west of Baghdad. An earlier UN team failed to persuade Iraqi authorities to install video monitors to prevent testing of missiles with a range of more than 150km, prohibited under ceasefire resolutions.

Diplomats in New York consider that no further warning to Iraq or UN resolution would formally be required before a strike on the two sites, but last night they were playing down any prospect of immediate action. "We're not at crisis point yet," one said.

China, one of the five permanent members of the Security Council, yesterday distanced itself from talk of a strike, with Foreign Ministry officials in Beijing saying the confrontation should be resolved "through consultation and dialogue".

Some officials in New York said they were inclined to apply more pressure, but wait and see if Iraq would eventually back down, as it has in most previous run-ins with UN inspection teams.

Nevertheless, an attack remains a clear option, one which was raised immediately by Mr Al Gore, the US vice president, who warned Iraq not to "trifle" with the world community.

The two sites are understood to be in industrial zones where there would be far less risk of "collateral" damage and civilian casualties than in last month's US cruise missile raid on Iraqi intelligence headquarters in central Baghdad.

Each site comprises a small cluster of buildings, with a test stand at each to allow the monitored firing of missile engines - with liquid fuel at al-Rafah and solid fuel at Yam al-Azim. The housing for these stands would offer a natural target in any raid. It was at these that UN teams sought to install cameras and later to seal and lock monitoring sensors.

Editorial comment, Page 13

Iraq's Kurds await the wrath of Saddam

The level of allied protection to be expected is uncertain, writes **Gareth Smyth**

AS TENSION between Iraq and the west rises again, fears that Baghdad will attack the Kurds in retaliation for last month's western air strikes have compounded the daily anxieties of the 3m population of the Kurdish enclave of northern Iraq.

Left in limbo for two years, the enclave can do little to help itself, either by attracting investment to rebuild its shattered infrastructure or by tapping oil reserves.

President Saddam Hussein is a man of surprises. His strategy has been to wait. Economic hardship will, he believes, compel the Kurdish leadership to resume autonomy negotiations broken off in 1991.

The Kurds are in a weak position. Kurdish leaders have no clear idea what Allied protection they might get. "We are getting confusing signals," a senior Kurdish official said.

All of Iraq is covered by United Nations Security Council resolution 688 which demands that Mr Saddam's regime ends internal repression. Specific additional safeguards for the Kurds date from 1991, when 15,000 allied troops entered northern Iraq to enforce the world's first "safe haven." This uncertain departure in international procedures persuaded over 1m Kurds to return.

The safe haven near the Turkish border which Iraqi troops were forbidden to enter is now in effect defunct: only 18 allied soldiers - based in Zakho - remain. The wider "no-fly zone", Iraqi aircraft north of the 36th parallel, is still in force.

But the political geography of northern Iraq is more complex still. The Kurdish-held zone, from which Mr Saddam withdrew all administration in October 1991, is divided from the rest of Iraq by an informal "green line." While part of the no-fly zone is in government hands, a substantial part of the Kurdish-held zone, including the city of Sulaymaniyah, is outside the no-fly zone and so beyond any area of formal western commitment.

No-one doubts the ability of Iraqi forces to subdue the Kurds. A recent US congressional report said Iraq had rebuilt 80 per cent of its military manufacturing capacity and returned to service 2,500 tanks and 250 aircraft.

The Kurds do not expect support from allied ground troops.

"If the Iraqis launch a major offensive, the allies will intervene," Mr Hoshyar Zebari, a Kurdish spokesman, said in Washington earlier this month. "But it would be from the air." Uncertainty over security hampers rebuilding of the Kurdish infrastructure. The Kurdish-held zone, like the rest of Iraq, is subject to UN sanctions.

"Electricity, telecommunications, and roads are all in ruin," Mr Latif Rashid, another Kurdish representative, told aid workers in London recently. "Local factories have ceased to function."

Early reports say this year's harvest is good, but much will find its way to Baghdad. "The Iraqis have raised the price paid for the crops and farmers are desperate to get money," said Mr Zebari.

The Kurdish leadership seeks acceptance abroad, but recent regional developments are unfavourable. Both Iran and Turkey, neighbouring countries with 5m and 10m Kurds respectively, have denounced the Iraqi Kurds' plan for a federal Iraq.

Relations between the Iraqi Kurds and Iran have deteriorated recently as Tehran became increasingly concerned at Kurdish unrest within its own borders, fostered, it believes, by Iraqi Kurdish television stations.

Since March Iranian jets and artillery have bombed guerrilla bases operated by the Kurdistan Democratic Party of Iran inside Iraq.

The ending in June by the Kurdish Workers Party (PKK) of their two-month ceasefire with the Turkish army alarms the Iraqi Kurds, whose most important trade lifeline is threatened by the resumption of hostilities in south-east Turkey.

The alternative is re-opening autonomy talks with Baghdad.

Mr Mukarram Talabani, a former Iraqi government minister, operates as a go-between and reportedly made a recent visit to the Kurdish leadership. But the further their economic situation deteriorates, the weaker will be the Kurds' negotiating position.

NEWS: THE AMERICAS

Worst may be over as some floodwaters start to recede

Break in the US rains

By George Graham in Washington

BRIGHT sunshine and a break in the rains yesterday gave some hope that the worst might be over for the drenched farmers and townspeople of the Upper Mississippi basin.

Although weather forecasters continued to warn that the chance of renewed rain bad not gone away, some tributary rivers seemed to have stabilised and floodwaters began to recede in a few areas of the six-state region that has been devastated by weeks of flooding.

The federal government too was looking on the bright side. As Vice President Al Gore flew to St Louis to inspect the flood damage, Mr Robert Reich, the labour secretary, suggested that the flooding might actually improve the employment outlook in the short term.

"You're going to have so many state dollars and federal dollars, so much rebuilding of the area, that a lot of people are going to have to be put to work to rebuild," Mr Reich said.

Mr Gore's visit yesterday appeared designed to head off criticism of the administration for not taking a close enough interest in the disaster areas. Although President Bill Clinton visited the region a week ago on his way to the Tokyo summit, his stopover for a holiday in Hawaii on the way back had given ammunition to those who wished to attack him.

Federal officials have declined to give an overall estimate of the cost of the flood damage, but federal disaster relief has been promised, and an emergency spending bill is expected to be required to provide the money.

Even if the rains stop, it may take some time for flooding to snbside, because many upstream dams, built to provide flood containment capacity, are overflowing and will have to continue to release water.

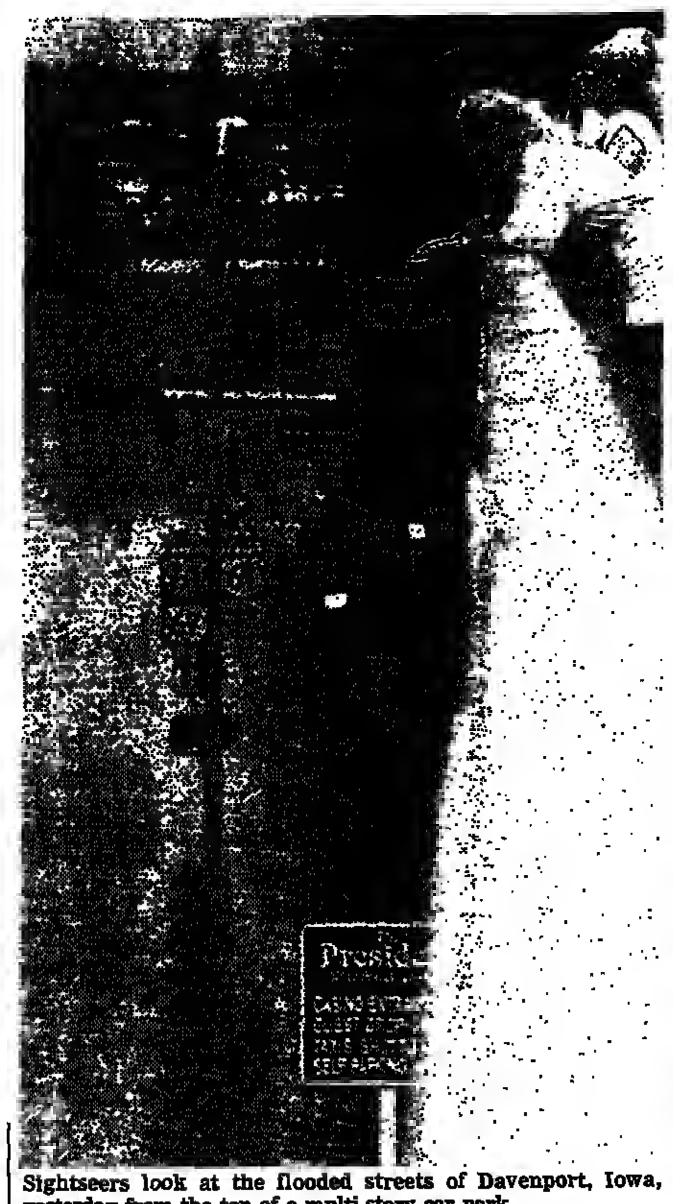
At the same time, earth and sand levees built along the riverbanks remain saturated and could continue to give way long after the floodwaters have crested.

Meanwhile the heatwave that has baked areas of the US east coast eased yesterday.

A storm thet caused showers in the northern Rockies early yesterday was moving east, bringing hope that it would break the heat in the east by midweek.

A second front, pushing down from Canada and the Great Lakes, is also expected to bring cooler weather.

Philadelphia saw one of the worst death tolls from the hot spell, with 24 people declared dead of heat-related causes, raising the city's death toll to 41 by Sunday, according to Dr Robert K. Ross, tbe city's health commissioner.


Sightseers look at the flooded streets of Davenport, Iowa, yesterday from the top of a multi-story car park

Markets are unworried by crop losses

By Lisa Brantsen in Washington and Laurie Morse in London

CROP losses from the high rainfall and flooding in the US Midwest have so far been around $2bn (£1.3bn), according to estimates from Iowa State University, with nearly half the losses in flooded Iowa farm country.

Some counties in Iowa have had three timee the normal amount of rainfall this month, deluging the richest corn-growing area in the US.

Nearly 4m acree of prime midwestern farmland have either been too wet to plant spring crops or flooded by the swollen rivers.

While that may mean disaster for many individual farmers, the flood's impact on world cereal prices is expected to be very small.

"This is not a significant event," said Mr Dennis Starleaf, head of the economics department at Iowa State University. "It is way too early to tell if we won't actually get a boost in yields because of the excess moisture."

There is an old commodity market axiom that "rain makes grain". Although farm country on either side of the Mississippi river is under water, and floods are occurring in other parts of Iowa and Missouri, crops in the eastern US corn belt, in the states of Ohio, Indiana, and eastern Illinois, are in excellent condition.

In addition, farmers still have over 2bn bushels of maize in store from last year'a crop. The feedgrain supply is more than adequate, with few prospects for long-term food price inflation, Mr Starleaf said.

At the Chicago Board of Trade yesterday, traders sent soyabean prices sharply lower as flood-related panic buying ebbed. Soyabean prices for harvest-time delivery have soared more than 20 per cent since mid-June, to more than $7 per bushel.

However, yesterday's price setback was predictable after such a big advance. Crop analysts now fear that if high prices are sustained through the summer, it will encourage Brazilian farmers to plant record acreage with soyabeans.

A loss of 4m acres to the floods is small when compared to the 56m that were planted with maize and soyabeans in the US last year, when record yields resulted in a bumper 240.8m metric tonne maize crop and a respectable 60m tonne soyabean harvest.

Action plan for World Bank

George Graham looks at moves to improve project supervision

THE World Bank has increased its budget for supervision activities by 12 per cent for the current year as part of its efforts to improve the effectiveness of its lending.

Mr Ernest Stern, a World Bank managing director and acting president while Mr Lewis Preston, the president, is recovering from surgery, said yesterday that the new action plan agreed at a board meeting last week would accelerate a cultural change within the bank and should help to improve the management of the 1,850 projects in its portfolio.

"Central to the plan is the commitment to make the management of projects under implementation as important as making new loans. Only sound, on-the-ground results – the development impact of projects – are true measures of the bank's contribution to sustainable development," Mr Stern said.

The new action plan comes in response to last year's report by a taskforce headed by Mr Willi Wapenhans, a World Bank veteran, which identified a sharp decline in the quality of the bank's portfolio, with particular problems in Africa and in the agricultural sector.

At the heart of the plan is a new determination to manage the bank's entire portfolio of projects within each country as a unit, instead of project by project.

Mr Stern said country reviews would in future be conducted annually for big borrower countries, and on a regular basis for smaller borrowers.

Over half of the bank's biggest country portfolios, however, have already undergone review, and as a result a number of projects have been cancelled or redesigned.

In India, a review led to the cancellation of projects totalling $1.3bn (£866m), while a similar review in Brazil brought the cancellation of five big projects worth $800m, substantial redesign of 14 more projects, mostly in the agricultural sector, and lesser changes to 14 others.

Mr Stern insisted, however, that the fundamental responsibility for ensuring that projects were properly implemented lay with the borrower, not the bank.

"The bank's efforts to improve the development impact of its work, ultimately, can only be as successful as the efforts taken by our borrowers to help themselves," Mr Stern said.

The action plan also sets out new criteria for climbing up the World Bank career ladder, with staff winning promotion less for their ability to push through new loans and more for their ability to follow through on existing projects.

Government to foot most of bill

By Nikki Tait

MOST OF the insurance cost resulting from the Mississippi floods will be picked up by the federal government, under the National Flood Insurance Programme and a separate federally-run crop insurance scheme.

The Federal Insurance Administration, which runs the National Flood Insurance Programme, said yesterday it could not yet put a figure on the cost of the disaster in insurance terms.

By Friday, it had received 41 claims in Illinois, where it has around 3,600 policyholders, about 29 claims in Missouri, where there are more than 7,300 policyholders, and smaller numbers of claims from Wisconsin, Iowa and Minnesota.

However, these numbers are expected to increase once the waters have receded and the extent of the damage becomes clearer.

The National Flood Insurance Programme, which began life about 25 years ago, is administered by private sector insurers, who pay out claims and are then reimbursed by the federal authorities. Over the past eight years, the programme has been self-funding, according to the American Insurance Association – with premiums collected from policyholders meeting the claims submitted.

Both the Federal Insurance Administration and the AIA acknowledge that there may be substantial under-insurance – or non-insurance – in flood-affected areas.

The AIA estimates that there are about 10m buildings in the nation's flood plains, and that only about 2.5m are covered by federal insurance. There is virtually no private-sector flood insurance written, although supplementary coverage is sometimes purchased to top up the federal scheme.

As a result, a number of the largest US property-casualty insurers, who suffered multi-billion-dollar losses from Hurricane Andrew in August last year and Hurricane Hugo in 1989, said the Mississippi situation should cause them little problem.

"Much of the flooding situation is covered by federal government, and we're a relatively small player on the commercial side," said Allstate, the large Chicago-based property-casualty insurer.

NEWS: WORLD TRADE

City office space boost for Macao

MR Stanley Ho, Macao's casino tycoon, has unveiled a $1.4bn (£930m) plan to develop the Portuguese colony's central business district which will increase the size of Macao city by 20 per cent, reports Simon Holberton from Macao.

The three-stage Nam Van Lakes development will cover an area of 130 hectares and provide 46 development sites for offices, housing and hotels, as well as two fresh water lakes. It is due to be completed by 1999, the year in which Macao reverts to Chinese sovereignty.

Work on the project's first stage, worth Patacas 3bn (£243m), is due to be completed in 1995 and will provide fully serviced reclaimed land suitable for eight office towers, three residential developments and a luxury hotel.

The project is owned by Nam Van Development, 60 per cent controlled by mainland Chinese interests. Mr Ho's Sociedade de Turismo e Diversoes de Macau (STDM) owns 25 per cent of the company, which is capitalised at Patacas 800m.

Tokyo deal just 'down payment'

Brittan seeks bigger world trade accord

By Frances Williams in Geneva

THE four-way tariff-cutting deal struck at the Tokyo summit last week was merely a "down payment" on a much larger prospective trade liberalisation accord, Sir Leon Brittan, EC trade commissioner, said yesterday.

Sir Leon, in Geneva to brief trading partners on the outcome of the summit, told a news conference that the European Community and the other Quad countries – the US, Japan and Canada – were prepared to go further if other nations taking part in the Uruguay Round of global trade talks responded with new market access concessions of their own.

"We have more to offer if others have more to offer," he said, singling out as EC targets more extensive reductions in US textiles tariffs and better access to financial services markets in east Asian economies.

The agreement by the Quad countries to eliminate tariffs in eight sectors, cut other duties by up to 50 per cent and push for liberalisation of financial and other services markets will form the basis for intensive bilateral and multilateral negotiations on market-opening measures between Uruguay Round participants over the next three to four weeks.

These talks will be launched formally tomorrow morning when the top-level Trade Negotiations Committee, chaired by Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, meets to agree a work programme to conclude the 118-nation talks by December 15.

After a short August break for holidays and consultations in national capitals, negotiations will restart in Geneva in September on the remaining outstanding iseues in the round.

These include disagreements over anti-dumping and subsidies rules, dispute settlement and the creation of a powerful Multilateral Trade Organisation. The US wants changes in the draft rule-making package of Uruguay Round accords affecting an MTO.

Sir Leon said yesterday that the draft rules package should be subject to only limited changes, and reaffirmed the EC's backing for an MTO which would curb recourse to unilateral trade measures to solve disputes.

Yesterday evening, Sir Leon was due to host a dinner for members of Eurofer, the European steelmakers' association, and his fellow commissioners, Mr Karel Van Miert and Mr Martin Bangemann.

EC officials said the object was an "exchange of views" on the planned restructuring of the European steel industry, competition from eastern European steel producers, and the stalemate in negotiations on a Multilateral Steel Agreement.


Sir Leon Brittan, EC trade commissioner, Mr Minoru Endo, Japan's UN ambassador, and Mr John Schmidt, deputy US trade representative, meet before lunch near Geneva yesterday

Taipei near to $11bn fighter deal

TAIPEI's plans to buy 210 advanced fighters from the US and France came a step closer yesterday when a joint legislative committee approved NT$318.7bn ($11.4bn) in funds for the purchases, reports Dennis Engbarth from Taipei.

Formal approval by parliament to purchase 150 F-16 Falcons from the US and 60 Mirage 2000 fighters from France is expected later this week, even though the lack of clear provisions for technology transfers to Taiwan will attract widespread criticism from lawmakers in both the ruling Kuomintang and the opposition Democratic Progressive party.

Mr Sun Chen, Taiwan's minister of national defence, said the 210 advanced aircraft will join 130 IDF (indigenous developed fighters) now under production and 90 remaining F-5E fighters in the island's revamped air defence force.

The 430 jet fighters are expected to meet all Taiwan's air defence needs until the year 2000 without more purchases from foreign suppliers, Mr Sun said.

Bulgarian trade deal delayed

BULGARIA has been hit by the failure of the EC Council of Ministers to approve the interim trade agreement signed on March 8 as part of Bulgaria's proposed Association Agreement with the EC, Anthony Robinson writes.

Bulgaria has already suffered most from the EC and UN sanctions on Serbia and the closure of trade routes through that country. The EC's failure also puts in jeopardy its trade agreement with European Free Trade Association countries, whose timetable depends on completing all stages of EC internal Association Agreement procedures.

Bulgarian officials believe the delay stems from stonewalling by Italian officials seeking to strengthen the safeguard clauses protecting EC members from cheap eastern Europe imports generally.

The Sofia government, which has just survived an opposition attempt to force a dissolution of parliament and early elections, hopes the Council of Ministers will finally approve the trade agreement at its next session in Brussels on July 19.

Tough talking taints EC-Russian 'partnership' accord

Moscow's interpretation of Gatt rulebook is central to the trade negotiations, writes Lionel Barber

Trade across Europe

SIR Leon Brittan, the EC's chief trade negotiator, will not forget his trip to Moscow last month in a hurry. During tense bargaining, Sir Leon professed astonishment that his Russian hosts were proving so obstinate.

After all, the Community had made similar proposals to Guatemala regarding the new EC banana regime, without a murmur of protest.

"Russia," thundered Mr Boris Yeltsin, president of the Russian federation, "is not Guatemala."

EC officials stress that Sir Leon had no intention of suggesting that Russia had become a banana republic; but last month's exchange with Mr Yeltsin confirms that the EC's effort to forge a new trade and political agreement with Russia has run into difficulty.

The EC's offer of a "partnership agreement" goes back to 1989 when the Twelve wanted to encourage economic and political reform in the former Soviet Union. Today, the idea is to strengthen democracy in Russia with the main incentive being the "long-term goal" of a free trade area with tha Community.

In Russian eyes, the EC is a more important trading partner than the US or Japan. Last year, Russia accounted for an estimated 70 per cent of the former Soviet Union's $4.8bn trade surplus with the EC.

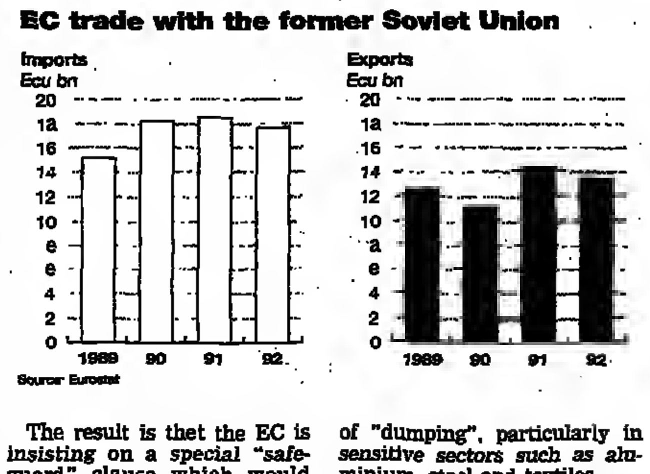
Yet despite the steady two-way trade flow, the EC remains unsure of how to deal with Russia's transition to a market economy and how to fit a new approach into a comprehensive policy toward the former Soviet Union, where central authority in Moscow is declining and new republics are clamouring for attention.

The central difficulty in the EC-Russia talks stems from Russian demands for the same treatment which the Community gives members of the General Agreement on Tariffs and Trade.

In concrete terms, Mr Yeltsin wants free movement of goods, services, capital (with some reservations), and persons. Bnt tha EC says "Gatt treatmant" is out of the question until it establishes a market economy.

As Sir Leon explained, Russia still has a long way to go. Its domestic energy prices are artificially low because of state subsidies; Russian enterprises still do not know what their costs are; and Russia's recent application to join Gatt, while walcomed in Brussels, will take a long time to process.

EC trade with the former Soviet Union



The result is thet the EC is insisting on a special "safeguard" clause which would apply until Russia fully complies with Gatt rules. This would allow Brussels wide discretion to block imports it considered to fall in the category of "dumping", particularly in sensitive sectors such as aluminium, steel and textiles.

The Russians argue that this clause is much harsher than the retaliation allowed under Gatt rules – and likely to deter foreign investment in potential hard-currency earning export industries.

In short, Mr Yeltsin feels the EC is treating Russia as a "state trading" country such as China and North Korea, without recognition of its democratic reforms. As Brussels has discovered, the Russians have not been shy about saying "Nyet", nor has the fall of communism blunted their negotiating skills.

The debate over "Gatt treatment" touches on Russian pride; but a good deal of self-interest is also at stake. EC officials say Russia is pressing for greater market access for its exports of low-price uranium and it wants provisions for greater freedom of movement of people so that businessmen do not have to waste time on visa applications.

In the field of human rights, the Community remains hopeful it can obtain satisfactory guarantees on human rights before signing a partnership agreement. But an early suggestion for a "euspension" clause under which the pact might be put on ice in the event of human rights abuses, has apparently been dropped after Russian objections.

Earlier this year, when Mr Yeltsin appeared to be in danger of losing a popular referendum, the EC sent a delegation to Moscow offering, for the first time, the proepect of a free trade area. "They just pocketed a major concession," says an EC official.

Nor has the EC always presented a united front. Two months ago, the Queen of Denmark issued an invitation to Mr Yeltsin to come to Copenhagen, ostensibly to celebrate 500 years of friendship between the Baltic near-neighbours.

The Danish Presidency of the EC described it as a "Danish initiative"; but EC officials believe the timing of the invitation was a less-than-subtle effort to accelerate the pace of negotiations and secure a deal for the June 21-22 summit. In the event, Mr Yeltsin did not turn up. With hindsight, some EC officials believe Sir Leon's tough stance in Moscow was intended to sink any chance of Mr Yeltsin "hijacking" the summit.

The challenge in the next few months will be to put the negotiations back on track and resolva the conundrum on Gatt treatment. One option is to insert an "evolutionary" clause holding out the prospect of free trade if the Russia successfully follows Gatt discipline.

In this respect, Sir Leon's encounter may have helped both sides by removing false expectations about the size and scope of a future bilateral trade agreement.

Producers restrain price rises

By Peter Marsh, Economics Correspondent

INFLATIONARY pressures remain subdued, according to government figures released yesterday which show manufacturers increased prices only fractionally in June in spite of paying more for materials and fuel.

Prices of factory-made goods for domestic sale rose 0.1 per cent during June, the Central Statistical Office said. In the year to last month, the rise in prices was 4 per cent, the same as in the year to May.

Materials and fuel purchased by manufacturers increased in price 7.8 per cent in the 12 months to June, after 7.5 per cent in the year to May. Seasonally adjusted, these prices rose 0.3 per cent between May and June.

The figures confirm that the fall in sterling since last September's devaluation has yet to show up significantly in the prices that manufacturers are charging at the wholesale lavel. They indicate thet in a climate of severe competition following the recession, manufacturers are striving to keep prices low, a goal helped by low wage settlements.

Manufactured goods excluding food, drink and tobacco also showed little upward price movement in the past month.

These goods rose in price 0.1 per cent during June. The year-on-year rise of 2.6 per cent was the same as in the 12 months to May.

While the year-on-year increase in prices of all manufactured goods has edged up from the 3.5 per cent recorded in December, the measure for underlying inflation at the wholesale level has heen fairly stable. It registered 2.4 per cent in December and has stayed at 2.6 per cent since February.

In the year to last month, prices of petroleum products purchased hy manufacturers increased 8.5 per cent. Prices of UK-produced food rose 12.9 per cent and imported food 10.5 per cent. However these substantial increases in the prices being paid for energy and materials were offset by only subdued rises in prices of metals and other imported goods.

After devaluation, the year-on-year rise in prices of materials and fuels bought by mannfacturers reached a high of 8.4 per cent in March. Since then, however, inflationary pressures on the input side have been relatively muted. In April the year-on-year increase in these prices was 7.2 per cent.

Scheme to boost employee share ownership 'failed'

A government scheme to boost share ownership among ordinary employees by allowing executives to buy share options at a discount has failed to achieve its objective, Incomes Data Services, tha independent pay gronp, said yesterday.

Almost all tha companies examined which had taken advantage of the discount for their executives had schemes for other groups of employees in place before the discount became available, IDS found.

Under a measure in the 1991 Budget, executives became eligible from January 1 last year to buy shares at up to 15 per cent *below the market price*. Until then, to qualify with the Inland Revenue, the price paid when the option was exercised had to be no less than the market value of the shares when the option was granted.

The new discounts were conditional on the setting up of company-wide employee share schemes. IDS said: "The introduction of this substantial tax benefit was explicitly linked to a need to provide top executives with an incentive to spread share ownership to the shopfloor."

Research shows that only two of 28 companies that had issued discounted executive share options needed to set up a new all-employee scheme – *26 already had share schemes* covering all employees.

A total of 108 separate options had been issued by the 28 companies, 41 of them hy seven FT-SE 100 companies. The average value of the discounted options was £17,930, the difference between the market price on the day of grant and the option price.

IDS concludes that, while few companies have issued discounted executive options, many more have amended the rules of their schemes to allow for them, most of which already have all-employee share schemes. "For this reason, the growing use of discounted options is unlikely to further the government's *stated aim of spreading share* ownership to the shopfloor."

Shock! Horror! in the tabloid price wars

THE FIRST day of the summer tabloid newspaper circulation wars saw the Daily Mirror, priced 10p, selling out. The Sun – at 20p – saw a rise in sales, while the Daily Star – unchanged at 25p – was seriously squeezed, writes *Raymond Snoddy*.

Wholesalers said the price cuts and the attendant publicity increased yesterday's overall sale of mass-market newspapers.

The Sun's promotional campaign was clearly hit hy the Daily Mirror's spoiler of charging 10p for one day's issue. The Mirror, which normally sells about 2.7m copies, claimed victory, saying it had sold about 500,000 extra – an increase of about 20 per cent. It is due to return to its usual 27p cover price today, while The Sun intends to stick with its 5p price cut for the rest of the summer.

The Sun, which dismissed the Daily Mirror's move as a "one-day gimmick", said it had sold between 275,000 and 280,000 extra copies, compared with the usual figure of about 3.5m papers a day.

News International, which owns The Sun, said it was happy with the results so far and said the picture would be clearer by the middle of the week. The Daily Star is estimated to have lost as much as 10 per cent of its normal daily sale of about 800,000.

As the circulation battle raged, Mr Kelvin MacKenzie, editor of The Sun, and Mr David Banks, his counterpart at the Daily Mirror, traded insults.

Mr Banks ridiculed The Sun's claim that the price cut was designed to beat the recession. He suggested that The Sun had contributed to the recession by "single-handedly" ensuring four Conservative election wins.

Mr MacKenzie replied the only reason the Mirror was not cutting its price was that its senior executives had such enormous share options they didn't want to see the share price go down.

Mirror Group Newspapers shares closed 14p down yesterday at 153p and News International shares closed down 1p at 215p. There was scepticism in the newspaper industry about the wisdom of the price cuts.

"Midsummer madness", said one specialist who asked not to be named. "The real question is how many of the extra sales will be retained when the price goes up again."

Shell denies cuts in exploration due to PRT

By Deborah Hargreaves

SHELL UK is scaling down its North Sea oil drilling programme and cutting jobs in its exploration department by between 20 per cent and 30 per cent.

The company denied yesterday this was as a result of the government's planned changes to Petroleum Revenue Taxes. "The PRT changes have underlined and given focus to what we were already looking at in the North Sea," it said.

An earlier memo sent to Shell employees referred to the fact that the PRT changes will increase exploration costs by a factor of four. This emphasises tha need for cost-cutting measures in exploration. Shell has already begun a worldwide campaign to trim costs in an effort to improve profitability at a time of low oil prices.

The PRT changes which abolish tax relief on exploration drilling and cut the rate paid for existing fields from 75 per cent to 50 per cent, are due to become law in about a month.

Many oil companies have opposed the changes because they believe up to 30,000 job losses in the sector could result from the downturn in drilling.

Shell has always publicly supported the changes by saying the downturn in exploration drilling would be offset by an increase in development work.

An official at Shell called the reference to PRT in the company's memo "rather unfortunate", but said the rest of the memo made clear the job cuts were due to long-term structural changes within the company.

The Treasury is believed to have contacted the company over its apparent change of tone over the PRT issue. The company stressed that its support for the new PRT rules was unchanged.

Shell's decision to reduce jobs is linked to the maturity of the North Sea and the declining number of exploration prospects.

Construction orders up 29%

OVERSEAS orders won hy British construction companies rose by by 29 per cent last year to £2.9bn, according to figures published yesterday hy the Environment Department.

The increase over the £2.2bn of orders won in 1991 was due mainly to increased work won in North America and Hong Kong.

Mr John Gummer, environment secretary, said the rise in Far Eastern orders, in one of the world's growth regions for construction, was particularly encouraging.

Ministers urge fall-back position on Maastricht

By Philip Stephens and Alison Smith

MR JOHN MAJOR was last night under pressure from pro-European ministers in his government to declare he was ready if necessary to risk the imposition in Britain of the social chapter rather than abandon ratification of the Maastricht treaty.

The mobilisation of the Europhiles within the Conservative party was reflected also in the counter-attack by heavyweights against the decision of Lady Thatcher, the former prime minister, to vote for a referendum on Maastricht when the issue is put to the House of Lords tomorrow.

Downing Street refused to comment on mounting speculation at Westminster that a combination of opposition parties and rebellious Tory Euro-sceptics could defeat the government in a House of Commons vote on the social chapter on July 26.

Euro-sceptics described a government defeat as "a racing certainty", even if ministers managed to persuade Northern Ireland unionist MPs not to vote with the opposition. The Conservative government has a majority of 18.

Mr Kenneth Clarke, chancellor of the exchequer, was said to be among the ministers who want the prime minister to make it clear in advance of the vote that whatever the outcome the government would press ahead with ratification.

The ministers hope that such a threat will dissuade the Euro-sceptics from voting for the inclusion of the social chapter in the belief that Mr Major would then abandon the treaty.

But Mr Clarke is said to be among a majority who believe that even if the government is defeated it should press ahead with ratification. Initially the government could ignore the Commons vote – as it is technically outside the ratification legislation – but it might then be open to a legal challenge to the social chapter opt-out.

The pro-European majority in the cabinet argues that if the UK were then forced to abandon the opt-out, the blame would fall directly on the Euro-sceptics.

Ways of minimising the controversy of ratifying the treaty as negotiated, even after a Commons defeat, are at the heart of contingency plans being drawn up within government. One proposal is for a motion of confidence to be taken immediately after any defeat.

The confidence motion would bring back into line some at least of the rebels, and might be framed to include an endorsement of the government's stance on the social chapter.

Sir Nicholas Lyell, the attorney-general, is said to have advised colleagues that ratifying the treaty in spite of a defeat would not worsen the government's position in the threatened Euro-sceptic attempt to seek judicial review of what the government has done so far in its pursuit of ratification.

Conservative sensitivities about Maastricht were underlined as former cabinet ministers accused Lady Thatcher of disloyalty, even though the government is confident that her call for a referendum will be defeated.

Lord Howe, the former chancellor and foreign secretary, said that if her predecessor had led an organised rebellion during her own premiership, then she would have regarded it as "pretty disloyal".

He gave a warning that to embark on a referendum campaign would be "total folly".

Legal disputes at Lloyd's threaten reform plans

By Richard Lapper

FRESH EFFORTS to win an out-of-court settlement to legal disputes at Lloyd's of London are running into difficulties, casting a shadow over efforts to restore profitability at the insurance market.

Seventy-one groups of loss-making Names – the individuals who back underwriting at the insurance market – were invited last week to submit statements to Sir Michael Kerr, the former high court judge who is chairing a panel set up to assess Names' claims.

Names claim that a deadline of July 23 is unrealistic and will not allow them to consult with legal counsel. Mr David Tiplady, a solicitor representing four groups of Names, said: "It is impossible".

Mr Tiplady is pressing the panel to put back its deadline to mid-August. But Mr Bill Knight, of solicitors Simmons & Simmons, which is working with the panel, stressed that the deadline is a "hard" one. He said the panel will be unable to report to Lloyd's by the autumn unless it sticks to this deadline.

Lloyd's, which last month reported its third successive year of record losses, is keen to settle litigation with Names in order to restore confidence as it seeks to attract fresh capital.

Separately Mr Michael Deeny, chairman of the Gooda Walker Names Action group, the biggest group of loss-making Names, says his group will meet the deadline but that "smaller less well-financed groups" will be at a disadvantage. Mr Deeny who is also a member of a second panel which is examining the potential financial resources available for a settlement, says he is "sceptical" about its chances of success.

He says the errors and omissions insurers – which cover Lloyd's agencies against awards for negligence – are only prepared to consider a settlement which would not "trigger their own reinsurance protections". Since E&O insurers – themselves Lloyd's syndicates – usually buy reinsurance, this would mean that the amount available to settle claims would be limited.

"At the end of the day all the arm twisting by the Lloyd's management hasn't got anywhere. The only solution is to get a court judgment and put thirty to forty agencies into liquidation," said Mr Deeny.

Names on syndicates which have sustained heavy losses from asbestosis will submit evidence to Sir Michael Kerr's panel alleging that the managers of several syndicates specialising in long-tail business should have left accounts of their 1979 year open. Long-tail syndicates underwrite business in which claims typically emerge many years after policies were underwritten.

Former heavyweight boxing champion Henry Cooper (above) sold his three Lonsdale Belts at auction yesterday for £42,000. Cooper, 59, was forced to sell the belts to meet losses at Lloyd's of London, where he was a Name.

The belts were sold at a Sotheby's sale of sporting memorobilia held at Kent County Cricket Club's ground in Canterbury. They had been expected to make £70,000. Asked what he would do with the cash, he said he would invest it "but not at Lloyd's".

Cooper stopped underwriting in 1985 and resigned from the market in 1989. He was a member of a number of syndicates, including at least one managed by the Oakeley Vaughan agency, which made heavy losses in the early 1980s.

He is the only boxer to have won three of the belts which are presented after three successful British title fights. The belts system was inaugurated by the 5th Earl of Lonsdale in 1909 to provide an incentive for boxers in an age of restricted purses.

Cooper won the heavyweight crown in January 1959 beating Brian London at Earls Court, west London. He went on to make eight successful defences, but gave up the title in May 1969.

Japanese sales boost Rover's market share

By John Griffiths

ROVER GROUP was the only major vehicle maker to increase sales during the first half of 1993 in continental Europe's shrinking new car market.

A 44 per cent sales rise in Japan – where the new car market is also suffering the first notahle reverse in its history – has also helped the British Aerospace subsidiary increase its overall sales hy 13 per cent in the six months.

Rover's sharp Japanese sales rise is from a small base – the increase was from 4,300 to 6,200.

But Rover executives see it as cause for further celebration following Honda's decision to sell the Land Rover Discovery model in Japan badged as a Honda – the first time a western manufacturer's model has received such an endorsement.

Helped hy sharp increases in other export markets outside Europe, Rover's total sales in the first half rose to 202,100 from 178,300 in the same period a year ago.

UK sales were up 14 per cent, at 119,700, and total export sales were 12 per cent higher at 82,400.

The 5 per cent increase in continental sales, to 65,500, came in the face of estimates from the European Automobile Manufacturers Association last week that the combined total sales in 17 west European markets were down hy 17.5 per cent in the first half.

Total export sales outside Japan were up 54 per cent, to 16,900 units.

Despite the collapse in the German new car market, where sales were down more than 20 per cent in the first half, Rover increased its sales in Germany hy 6 per cent and is planning to double the size of its dealer network in the country over the next two years.

TECHNOLOGY

Going for gold

In the 19th century gold rushes, prospectors songht the seductive metal by trudging across rough terrain and studying streams and rocks for signs of hidden wealth.

Today, mining companies have a much more sophisticated array of data to guide them to gold-bearing deposits. They can assemble a mass of information, by land or air, on a region's magnetic, gravitational, geological and chemical peculiarities and then work out where to start drilling.

But this is where the difficulties come in. Drilling holes is expensive – about $50,000 (£33,000) a time, inclnding laboratory analysis – and there are no rules on how to use all the data to pinpoint potential mines. However, if a computer program devised by a Sussex University scientist is taken up widely, much of the uncertainty and cost could be reduced.

Lecturer Peter Williams' computer neural network program – such programs recognise patterns and trends among a dense mass of data rather than make complex calculations – has been tried successfully by a big US mining company. Using magnetic data from 171 drillings, it was tested on two sites. It predicted accurately that one wonld yield gold and the other (thought to have potential after 36 test drillings) would not.

It has also been used in sonth-east Asia and attracted interest from an Australian mining gronp. Williams says his program can be used for small or large areas and even whole countries where the magnetic and gravitational data is available. He has developed his program over three years, but he does not claim it will replace present methods of looking for gold.

"It is another tool in the toolbox," he says modestly. "It tilts the odds in favour of the prospector."

Andrew Fisher

Almost any car could dispense with its gear lever, writes **John Griffiths**

Drivers on the button

It would probably never occur to most drivers of non-automatic cars that changing gear might be possible by pressing a button instead of having to reach down and move a lever. Imagine being able to operate the gears as easily as turning on the lights or windscreen wipers.

The technology is there, but has yet to be put into widely available form. However, a start is being made by Prodrive, the UK motor sport engineering concern which prepares some of the world's leading race and rally cars. It has developed a road-going version of the press-button, semi-automatic gearboxes hitherto confined to leading grand prix teams and the world championship rally cars Prodrive operates for Subaru of Japan.

Although the system will make its off-track debut this year in one of Italy's best-known makes of exotic sports car, it could be added to almost any car's cooventional manual gearbox. "There is no reason why it should not be cheaper than, say, power steering," according to David Lapworth, managing director of Prodrive's engineering services subsidiary.

In its current road-going form, the system is being tested by Prodrive in a Subaru Legacy saloon. No modifications have been made to the car's conventional gearbox. Instead, the normal clutch operating cylinder is supplemented by an actuating mechanism whose operation is managed by an electronic control unit (Ecu) and an air tank and small compressors located remotely – in the Legacy's case, in the boot.

The actuating unit is about a foot long. Along with the valve system it is small enough to hava been installed in the Legacy's transmission tunnel without modifying the bodywork.

The driver selects gears by touching buttons on the upper and lower surfaces of the steering wheel. Specific buttons do not select specific gears. Instead, any button on the upper surface takes the car up a gear, and any button on the lower surface takes it down. Repeated pressing takes the car sequentially up or down through the gears.

The clever bit lies in what the Ecu does on receiving a gear change instruction – relayed electronically – from the driver. For upshifts, the driver simply presses the button without either lifting his foot from the accelerator pedal or operating the clutch pedal. The Ecu throttles back the engine at the same time as ordering the compressor to operate the clutch. The resultant upshift is as fast as any achievable manually by a Nigel Mansell or Ayrton Senna.

The principles are the same for downshifts – except that the Ecu prevents the engine being strained through over-revving, should the driver seek to change down too early. In this event, the Ecu is capable of both "blipping" the accelerator and delaying the clutch operation until gear and engine speeds are compatible.

What are the benefits? In the area of performance motoring, gears can be changed with optimum efficiency while preserving maximum control over the car by keeping both hands on the steering wheel. Clutch wear is also minimised and manual operation of the clntch is required only when starting or stopping.

Prodrive's Legacy test model retains both its clutch pedal and the conventional gear lever – a function of its close kinship to the rally cars, which can revert to manual clutch and gear changing as a competition "fail safe". On the back roads near Prodrive's Banbury, Oxfordshire, headquarters, it is disconcerting to have the gearshift seemingly operating itself while the driver uses the press button system. But, as Lapworth stresses, neither clutch pedal nor gear lever need be retained for non-sporting applications.

Preoccupation with competition – the bulk of Prodrive's business – meant the company could not start on a road version until early last year. The development programme has three phases:

First is the Legacy system, fitted as an aid to enthusiastic driving.

Second is a system which selects the gears itself at the appropriate moment, depending on accelerator position – in effect a fully automatic gearbox. This system also allows drive-away from rest.

This second phase still involves adding equipment to existing transmissions, and would be applicable in areas such as cheaply converting ordinary cars for use by the disabled.

But the logical final phase, points out Lapworth, would be for car makers to manufacture gearboxes specially designed for the system. The unit cost of these could be much lower than for conventional manual gearboxes because – thanks to the "autoshift" ensuring that gear and engine speeds are compatible during changes – synchromesh and all its complicated cones and other components could be dispensed with.

There are rival transmissions, however, which their proponents might argue are a still more sophisticated answer to the average motorist's needs. Chief among these is the continuously variable transmissioo (CVT). Already fitted to some Ford, Fiat, Volvo, Rover Group and even Subaru models, the CVT provides an infinitely variable number of gear ratios by means of steel drive belts working around expandable pullers.

The theory of the CVT is that the driver depresses the accelerator according to whether he wants maximum or mild acceleration, or a high or low cruising speed. The engine spins up to the required number of revolutions needed to meet these needs with maximum efficiency – and the transmission accelerates the car in the most efficient way to "catch up" with the accelerator setting, and subsequently cruises the vehicle at the most ecooomical engine speed.

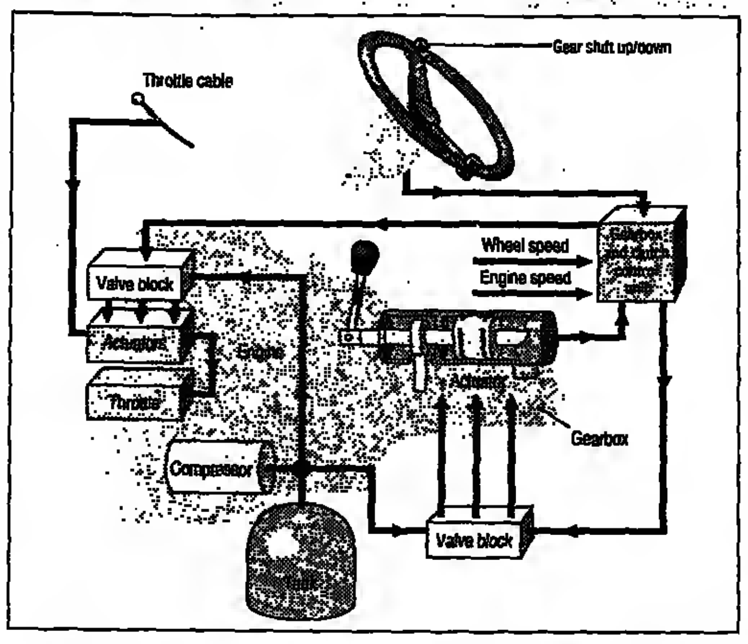
The proclaimed advantage of the CVT is that it allows the engine to operate in its most efficient revolution band. The driver has to do no more than engage forward or reverse; the energy-sapping losses caused by the hydraulic torque converter of a conventional automatic transmissioo – which typically produced fuel consumption 15 per cent worse than a manual as well as weakening performance – are largely absent.

Lapworth acknowledges that the CVT is a desirable transmission. However, it costs more than a conventional automatic transmission – and still has more inherent energy losses than a manual transmission. "It will become a better propositioo if and when a car maker produces both a CVT and an engine which are specifically designed to work together," says Lapworth. "But if you had to rate them in cold energy efficiency terms, on a scale of one to 10, the manual would be at 10, fully developed CVT engine/transmission at nine and the existing conventional automatic at six or seven.

"And if you accept that you don't need synchromesh in our type of transmission, you could pack in six or seven gear ratios in the same space, so that for most drivers you would have something very close to a CVT anyway."

Although the autoshift is currently Prodrive's only serious road car project, Lapworth says there is much potential for applying 1ootor sport-based technology on a wider front – "cars are full of things hydraulic and mechanical which could be better controlled", he says.

Prodrive Engineering's semi-automatic gear shift



Technically Speaking

Multimedia in handcuffs

By Tom Foremski

Multimedia technology has the potential to spawn large new markets in entertainment and education, but a battle between copyright holders and multimedia pohlishers threatens to obstruct the emerging market.

Multimedia developers see great potential in the use of CD-Rom discs to store thousands of audio, video, graphics and text clips. Organised as an interactive encyclopedia, adventure game or as a multimedia history of Christopher Columbus, for example, they become powerful educational and reference tools, allowing users to steer through enormous amounts of information easily and quickly.

But developers of such applications complain that copyright holders are asking large fees for the use of small snippets of existing audio or video from tape and film libraries and that the copyright licensing process is complex and time consuming.

In turn, copyright holders are worried about the integrity of their work, which when transformed into digital form can very easily be copied or modified. Writers, film-makers, artists and photographers fear they might lose cootrol of their works and their ability to collect future royalties.

The US Office of Technology Assessment has recognised the problem. In a report issued last year, it warned that the development of multimedia programs could be hurt by current copyright regulations tbat are not well suited to the new technologies.

Multimedia title developers say they are willing to pay for copyright clearances, but simply locating copyright holders is a hig problem. Warner New Media, for example, when developing a multimedia title on the Berlin Wall, wanted to use a clip from the musical film West Side Story. This involved obtaining and paying for copyright clearance from the film company, the musicians, the music composer, the actors and the writers. But Warner missed a copyright, held by the choreographer, and could not use the clip.

One loophole some multimedia developers have successfully used is the "fair use" provision of US copyright law. This allows use of a copyrighted work "for purposes such as criticism, comment, news reporting, teaching, including multiple copies for classroom use, scholarship, or research".

However, US courts have interpreted fair use in unpredictable ways. Last year, for example, a US federal court ruled against Texaco which had argued that in photocopying scientific papers, it was protected from copyright infringement allegations since the papers were used for research.

With fair use vaguely defined by US courts, maoy multimedia applications developers are looking for copyright-free material. The largest source of copyright-free text is Project Gutenberg. It offers 50 copyright-free publications in digital form, known as "etexts". These include classic books such as Alice in Wonderland and Peter Pan. Michael Hart, founder of Project Gntenberg, says it will offer 10,000 etexts by the end of the decade.

Multimedia title developers can also turn to a growing number of CD-Rom disks full of music clips, photographs and video footage, all available without copyright fees.

None the less, copyright-free or public domain material is a limited resource. A copyright clearance mechanism is needed that allows copyright holders to tap into the potentially lucrative multimedia applications market without surrendering control over their work. Multimedia title producers, in turn, need an easy way to reach copyright holders and negotiate copyright clearance fees.

One solution could be the creation of copyright clearance centres that would represent the works of artists, musicians, photographers, video producers and authors. Such centres would allow multimedia developers to shop for content and pay a reasonable fee for tbe material used. The benefits of sncb a system would he to remove roadblocks to a new industry that could provide consumers with a wide range of multimedia titles.

MANAGEMENT: THE GROWING BUSINESS

Second time around

In the US, failure is often regarded as a learning experience. In the UK even success is no guarantee a businessman can raise finance.

In contrast with the US, British venture capitalists make very little use of "second time entrepreneurs," businessmen and women who have sold one successful venture and want to move on to a second, according to a study* by the Centre for Management Buy-Out Research.

Nearly three-quarters of venture capitalists polled said they would prefer to finance an entrepreneur or a manager who had played a leading role in a previous venture. But only 23 per cent had used a team leader from one of their own investments again. And while 53 per cent used a team leader previously backed by another venture firm these two figures overlapped and out total use, as a share of deals completed, was low.

The main reason given by venture capitalists was that they could not find suitable candidates. The entrepreneur's experience might be in a different sector or in a much smaller or larger company. Venture capitalists were suspicious that someone who had made one fortune would be insufficiently motivated to do it again.

It also emerged that venture capitalists did not actively pursue entrepreneurs who had sold out. Only 17 per cent of venture firms polled evaluated their successful entrepreneurs.

But the venture capitalists were not to blame alone. Many entrepreneurs were reluctant to go a second round with the same venture capitalist who had backed them the first time. Also, having made one fortune, the entrepreneur might have less need of venture funds to get started a second time.

**Venture Capitalists and Second Time Entrepreneurs. M. Wright and K. Robbie. Centre for Management Buy-Out Research. Nottingham University, Nottingham NG7 2RD. Tel: 0602 515494. 27 pages. £25.*

CB

Charles Batchelor continues his series answering questions on the European single market

Understanding the issues

The Growing Business Page's Single Market Q&A series is intended to allow readers to raise issues prompted by the formal launch of the single European market on January 1, 1993.

In theory the barriers have come down in Europe, but in practice doing business across borders can be complex and time consuming.

Merits of a pan-European title

Q: In your last Single Market Q&A you explained how EC legislation on the compatibility of professional qualifications would allow a British chartered engineer to register in Germany.

We are consulting civil and structural engineers and are currently evaluating a number of projects in Germany. A few years ago all chartered engineers were encouraged to register as European Engineers and were rewarded with the qualification Eur.Ing. Does this qualification carry any real weight? Is it sufficient to guarantee acceptance on the official list of approved engineers at the regional chambers of architects (Architektenkammer).

A: The Eur.Ing. title is a pan-European title for chartered engineers operating in Europe, though it is not covered by EC legislation on the freedom of establishment of professionals (89/48/EEC). It confers no extra privileges but its value lies in the fact that it is a readily recognisable professional qualification Europe-wide.

More than 15,000 professional engineers in Europe currently hold the title, with some 300 applying every month.

Although the Eur.Ing. title may only be obtained by qualified chartered engineers it is not sufficient to guarantee acceptance on the official list of approved engineers at the regional chambers of architects.

VAT reporting requirements queried

Q: I have recently set up a business and will shortly start exporting to other EC member states. What are the present VAT reporting requirements in the UK?

A: UK VAT registered businesses are required to provide Customs and Excise with EC Sales Lists (ESLs), on a quarterly basis, for all sales to other VAT registered businesses in the Community. These lists itemise sales by values and VAT registration numbers of buyers. They are required by Customs at the end of each calender quarter – March, June, September and December.

However, small businesses with an annual turnover of less than £82,000 and sales not exceeding £11,500 in the EC may be exempted from providing ESLs. This is discretionary and you should seek guidance from your Customs office.

Businesses with exports exceeding £135,000 a year to the EC must also provide Supplementary Sales Declarations (SSDs) on a calender month basis. These reports must list a minimum of eight items of transaction data, for example, delivery term and mode of transport, for each sale.

Importers who exceed the £135,000 threshold for EC purchases must also provide SSDs, the information for which is used to compile European Community trade statistics known as Intrastats.

A green approach to labelling

Q: I have heard there is a label which states that my products are environmentally sound. How can I obtain such a label and what are the objectives of the scheme?

A: The label to which you refer is the EC Ecolabel which demonstrates that your product has the minimum adverse impact on the environment. To apply for an Ecolabel contact one of the national organisations set up to administer the scheme. In the UK it is: UK Ecolabelling Board, 7th Floor, Eastbury House, 30-34 Albert Embankment, London SE1 7TL. Tel: 071 820 1199. Fax: 071 820 1104.

The purpose of the voluntary scheme is to promote the design, production, marketing and use of products that have the least impact on the environment. The Ecolabel also aims to encourage the production of more environmentally benign products.

EC working groups have started to devise Ecolabelling criteria for a range of products, including washing machines, based on their environmental performance throughout their life cycle.

Once the Ecolabelling organisation has decided to award a label it notifies the European Commission. The Commission then informs interest groups in other member states. After 30 days the Ecolabelling body may award the label, provided there are no objections from either the Commission or another member state. If objections are not resolved within a further 15 days the proposed award will be submitted to the Commission's Regulatory Committee for a decision. A contract is drawn up between the Ecolabelling authority and the applicant.

Notice of the award is published in the Official Journal of the European Communities.

The Ecolabelling authority in the UK charges an application fee of £500 including VAT. An annual license fee of 0.15 per cent plus VAT is also payable. This is based on the volume of sales of the product within the member states at ex-factory prices. Fees will vary slightly between member states.

This subject is covered by the EC regulation on the Community Ecolabel award scheme (880/92) and applies to all products except for pharmaceuticals, beverages and foodstuffs.

Directives affect UK employees abroad

Q: I intend shortly to establish a subsidiary in France and will be posting at least one member of staff there. In the light of the UK's recent abstention from the vote on the EC directive on "Working Time", what will be the position of a UK worker in France?

A: Although your employees will still be working for a British company, they will be based in France and will be subject to French national legislation as well as any relevant EC regulations and directives in force. Once the "Working Time" directive has been formally adopted in France all employees working for French, UK or other companies will have the legal right to:

- A minimum daily rest period of 11 consecutive hours
- At least one day off a week
- Four weeks annual paid holiday
- A restriction on night work to a maximum of an average of eight hours. The Commission has recommended the length of nightworking be averaged over 14 days but has left a final decision to the individual member states
- Mandatory daily rest breaks after six hours.

These conditions will apply in all EC member states except the UK.

However, the directive allows for exemptions if your company is involved in the fishery, agriculture, offshore and transport industries. Community workers will still be able to work more than 48 hours a week voluntarily if safeguards to prevent abuse are in place. The UK's abstention will therefore have no real affect on your staff in France.

Help with language courses

Q: I am a UK citizen living and working in Germany and would like to enrol on a German language course. Can I apply for a grant, loan or tax relief on such a course?

A: There are no grants, loans or tax relief available for individuals wanting to pursue language training in Germany. But there are regional promotion programmes designed to help German companies prepare and develop their employees for working in the single market.

These programmes do not exist in avery Land and the conditions and benefits vary according to the development strategies of tha region.

On a Community level, the increased trade, mobility and cultural exchange which has resulted from the development of the internal market has led to the introduction of the Lingua programme. This is an EC initiative which promotes a more widespread understanding and use of the Community languages. It is not a programme targeted directly at business, although the aim is to promote foreign language skills in the workforce.

For further information contact The UK Lingua Unit, Seymour Mews House, Seymour Mews, London WIH 9PE. Tel: 071 725 9493 Fax: 071 224 1906. The European headquarters of the programme is at Bureau Lingua, 10 rua du Commerce, B-1040 Brussels. Tel: 322 511 42 18 Fax: 322 511 43 76.

Previous features in this series appeared on June 1, May 4 and March 9.

■ If you have any queries relating to doing business in Europe or to the changes brought about by the creation of the singla European market, please write or fax the address below. Wa can only print a selection of letters received and cannot reply individually.

Charles Batchelor,
Single Market Q&A,
Financial Times,
Number One Southwark Bridge
London SE1 9HL
Fax: 071 873 3933

This feature has been compiled with the assistance of the European Information Centre of the London Chamber of Commerce.

Focus on bank charges

Does it make sense to shop around among banks for a good deal? A trial carried out hy Business Money, a new monthly newsletter,* reveals significant differences between the charges quoted by a range of banks.

The 17 banks approached provided quotes ranging from £17 to £1,400 to manage an account for a year. Business Money asked the banks to quote for a customer expecting to write more than £100,000 worth of cheques a year, paying in 300 cheques and £2,000 in cash a month, and maintaining an average credit balance of £3,000.

The newsletter is based in Street, Somerset and stipulated the account must be maintained elsewbere, to prevent discrimination against hanks without a local branch. Many husinesses prefer a local contact point but others with accounts in credit often never visit their branch, says Robert Lefroy, editor and a former banker with 28 years experience.

The £17 quote came from Allied Trust, a London-based bank with no branch network; the £1,400 proposal from National Westminster.

Other low quotes came from the Coop Bank (£750, though this included six months free banking) and Clydesdale Bank (£911). Offers from the other main clearers were £1,161 from Lloyds and £1,258 from Barclays while Midland refused to quote, citing, according to Lefroy, its "aggressive new policy."

Quotes of between £1,100 and £1,200 came from Allied Irish, Bank of Scotland, Royal Bank of Scotland and Ulster Bank.

One lesson to emerge was it might make sense for companies to split their banking, putting cash deposits through Girobank and other business through low-cost operations, suggests Lefroy.

**Provides listings of loan costs across a range of business sectors and details of leasing and factoring charges. Annual subscription £59. PO Box 1658, Street, Somerset, BA6 9FE. Tel: 0458 48207.*

CB

هكذا عند الأصل

BUSINESSES FOR SALE

Barnaby Foods PLC
(In Administration)

The Joint Administrators offer for sale the business and assets of Barnaby Foods Plc.

- Manufacturers of traditional hand made meat pies, sausages and quiches
- Production is both fresh chilled and frozen
- Established customer base
- Freehold factory and premises in North London
- Turnover approx. £1.5 million per annum
- All enquiries to Joint Administrators of Barnaby Foods Plc, Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Tel: 071-928 2000 (Ext 3821). Fax: 071-928 0425.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Sunroofs and Car Security Products Manufacture and Distribution
West Midlands

The Joint Administrative Receivers offer for sale the business and assets of Auto Products International Limited.

Principal features include:

- Turnover UK and Europe £1.75 million.
- US subsidiary turnover $2 million.
- Established branded products.
- Patented designs.
- Experienced workforce.
- Stock, plant and machinery.

For further information contact the Joint Administrative Receiver, Myles Hetley, KPMG Peat Marwick, Peat House, 1 Waterloo Way, Leicester LE1 6LP. Tel: 0533 471122. Fax: 0533 547626.

KPMG Corporate Recovery

GM buses

- Ernst & Young Corporate Finance has been retained by Greater Manchester Passenger Transport Authority to dispose of the business of Greater Manchester Buses, Greater Manchester's principal bus operator.
- The business is to be sold as two companies serving the north and south of Greater Manchester respectively. Key features of each company are:
  - North
    - Fleet in excess of 900 vehicles
    - Extensive portfolio of operational properties including 6 depots
    - Revenue of approximately £60 million per annum
  - South
    - Fleet in excess of 700 vehicles
    - Extensive portfolio of operational properties including 5 depots
    - Revenue of approximately £50 million per annum
    - Coaching operation

For further information please contact Nigel Barratt or David Buchan, in writing, at Ernst & Young Corporate Finance, Commercial Union House, Albert Square, Manchester M2 6LP.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

LADIES FASHION RETAILERS

By Order of the Administrative Receiver

with National Representation

- 12 trading branches in High Street locations
- Freehold HQ and Warehouse in Watford
- Garment and accessories stock at valuation
- Projected weekly T/O c. £100,000

Written Enquiries Only - Ref: MPB

EDWARD SYMMONS & PARTNERS
2 Southwark Street, London Bridge, London SE1 1RQ
Fax: 071-407 6423
LONDON · MANCHESTER · LIVERPOOL · BRISTOL · SOUTHAMPTON
Tel: 071-407 8454

An "Invitation to negotiate" was published in the newspaper Rzeczpospolita on October 12, 1992

THE POLISH MINISTRY OF PRIVATIZATION is now proceeding with the privatization of a textile manufacturer ZKT LUBAWA

Based in North Eastern Poland, Lubawa produces products ranging from tents, rucksacks, tarpaulins through safety belts, bullet - proof vests to protective clothing and uniforms.

In 1992 the company's turnover amounted to 3.5 mln USD net profit - 209,000 USD

Investors potentially interested in acquiring shares are invited to contact the Ministry via its advisors:
ING BH Consultants
00-950 Warsaw, ul. Emilii Plater 28
phone: 6305666, 6305608
fax: 6305660, sat: 39121746

FOR SALE
ROAD HAULAGE FIRM
M6 MOTORWAY LOCATION
NORTH OF ENGLAND

Long established, profitable family firm seeks buyer due to retirement. Operating from prime site (suitable for further development) adjacent to M6 interchange with major PLC customers. Modern fleet (15 vehicles) T/O £1.5m. Net profit: £300K.

Principals only please contact:

Box B1312, Financial Times, One Southwark Bridge, London SE1 9HL.

PLC, WISHES TO ACQUIRE COACH & TOUR OPERATING COMPANIES ANYWHERE IN THE UK, BENELUX, GERMANY.
Any status, solvent or insolvent.

Please reply in the strictest confidence to: The Managing Director, Box B1310, Financial Times, One Southwark Bridge, London SE1 9HL.

PRESTIGE BUSINESS FOR SALE

World renowned exclusive specialist retailer and wholesaler with prime West End location. Annual turnover £1m plus. Valuable lease. Increasing turnover. Great scope. Price £50,000 plus stock and debtors at valuation. Ref: 8440

Christopher & Fry
163 Old Woking Road
Woking, Surrey, GU22 8NZ
Tel: 0932 352560
Fax: 0932 343389

MOTOR ACCESSORIES/PARTS

Offers are being sought for a small long established chain of retail motor accessories/parts shops located in Central London.

Gross Retail Sales in the most recent year are approximately £1.75 million.

For details principals only should apply to Box No. B1580, Financial Times, One Southwark Bridge, London SE1 9HL.

The Boardroom Magazine
For Sale
The Joint Administrators offer for sale as a going concern, the title, business and assets of
The Boardroom Magazine Limited

- Free monthly distribution of c. 90,000 copies
- Gross advertising revenue of c. £500,000 p.a.
- Experienced staff
- Glossy property/lifestyle title

For further details, please contact the joint administrators: Nigel Paul and Vernon Wright of Stephen Paul Wright, 15 New Bridge Street, London, EC4V 6AU
Tel: 071 353 4010 Fax: 071 353 3957

The Joint Administrative Receivers, David Emanuel Merton Mond FCA, and David Bottomley FCA, offer for sale the business, assets and goodwill of:

MORGANS TIMBER GROUP LIMITED

- The Company specialises as timber merchants and importers.
- A subsidiary company specialises in kiln drying.
- Current turnover is in excess of £7,300,000 p.a.
- Substantial stocks of timber.
- Freehold properties: 5.15 acres in Kirkby, nr Liverpool including buildings extending to 38,515 sq.ft:
  3.5 acres in Hunslet, Leeds including three units totalling 40,191 sq.ft., two of which produce a rental in excess of £31,000 p.a.
- Excellent customer list.

For further information please contact:
D.E.M. Mond
Hodgsons
48 George Street,
Manchester, M1 4HF.
Tel: 061 228 7444
Fax: 061 228 7356

HODGSONS

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Photo Copying Sales and Service Company

The Joint Administrative Receivers E. V. L. Blackwell and E. T. Head offer for sale the business and assets of this established company which services and sells a wide range of photo copiers.

- Well established in the local area
- Established customer base along the south coast
- Turnover of approximately £2m per annum
- Over 1,000 signed service contracts
- Presently located at leasehold premises in Dorset

For further information please contact Eddie Blackwell or Edward Head of Stoy Hayward, Park House, 102-108 Above Bar, Southampton, Hampshire SO9 5HJ. Tel: 0703 636915. Fax: 0703 339369.

STOY HAYWARD Horwath

Accountants and Business Advisers A member of Horwath International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

FS 23657

The London office of Stoy Hayward is registered to BS 5750

COMPUTER NETWORKING MADRID, SPAIN - FOR SALE

Established subsidiary of U.K. parent. Great potential in a sector growing 30% per annum. System integrator reselling market leading network products. Technical and Project Management strengths. All replies in confidence to: Box B1311 Financial Times, One Southwark Bridge, London SE1 9HL.

UNUSUAL TRADE REFUSE COLLECTION BUSINESS FOR SALE

Prestigious clientele. London area. T/O £60,000 per month. Net profit £30,000 per month. Minimum sale price £1m.

Box B1307, Financial Times, One Southwark Bridge, London SE1 9HL

ESTABLISHED CENTRAL SOUTHERN ENGLAND BASED ADDED VALUE GIFT AND PROMOTIONAL WARE COMPANY, TURNOVER C £700K, SEEKS DISCUSSIONS LEADING TO SALE, MERGER OR ACQUISITION. Write to Box No. B1309, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS FOR SALE GIFTWARE/CERAMIC IMPORTING COMPANY

Long established import company specialising in Far Eastern and European merchandise. Excellent connections in the wholesale and retail trades. Turnover 400k - 750k p.a. Prestigious customer base with great potential for further expansion. Ideal opportunity to acquire. All reasonable offers to be considered.

Please write to Hidamal Ltd, Unit 38 Baldock Ind Est, London Rd, Baldock Herts. SG7 6NG.

BUILDING CONTRACTOR

WELL ESTABLISHED AND PROFITABLE DOE/LOCAL AUTHORITY APPROVED SEEKS INCREASED CAPITAL BASE BY MERGER/ACQUISITION INTO LARGER GROUP

Please write to Box B1301 Financial Times, One Southwark Bridge, London SE1 9HL.

HOTEL/RESTAURANT

Small exclusive internationally recommended hotel and restaurant for sale. Due to retirement. Good hotel guide. Egon Ronay etc. In weekly tourist area. Excellent net turnover. Immaculate condition. Valuable freehold. Substantial figure required.

Principals only write to Box B1306, Financial Times, One Southwark Bridge, London SE1 9HL.

SPECIALIST RECRUITMENT AGENCY AVAILABLE FOR SALE CLOSE TO HEATHROW

Write to Box B1302 Financial Times, One Southwark Bridge, London SE1 9HL.

INTERNATIONALLY KNOWN FORGE with full order book situated in rural Devon town. Freehold stone building comprising offices, showroom, workrooms. Possible 1st floor living accommodation. All with planning permission. Retirement sale. Write to Box B1304, Financial Times, One Southwark Bridge, London SE1 9HL.

DORSET - NR LYME REGIS. A period farmhouse with 7 equipped holiday cottages and about 10 acres, peacefully located in a lovely south facing rural position with sea views. 4 bedrooms, bathroom, box room, sitting/dining room, kitchen, utility room, office, hall. Garage. A range of agricultural buildings. 7 holiday cottages - (6 with sea views) - English Tourist Board highly commended with 4 keys. For sale by Private Treaty. Details: Humberts Bridport Office Tel: (0308) 22215

FOR SALE

Long established acoustic control business fully equipped for the design, manufacture and installation of a full range of acoustic control equipment. Substantial customer base in the UK, Europe and Overseas. Please apply in strict confidence to:

Star Cargo plc,
Star Cargo House, Thompsons Close,
Harpenden, Herts, AL5 4SB.

UK List of businesses for sale in Printing - advertising - design - marketing 071 343 9992

Spondon Garages Limited T/A Spondon Caravan Centre
(In Receivership)

The business and assets of the above caravan retailer are available for sale as a going concern, as a consequence of receivership.

- Major dealers in the Midlands for Swift and Hobby caravans, with a stock of over 200 new and used caravans.
- Landscaped freehold 4 acre showground, offices and workshops, at Spondon, Derbyshire.
- The site provides ample car parking, with cafeteria, accessory and leisure shops, workshops and petrol forecourt.
- Annual sales over £6m.
- Petrol sales of approximately 16,000 gallons per week.
- Skilled workforce of 62.

Enquiries to:
R J Rees FCA, Price Waterhouse
Victoria House, 76 Milton Street, Nottingham NG1 3QY
Telephone: 0602 419321 Fax: 0602 475225

Price Waterhouse

E&CT Koopman & Son Limited
(In Receivership)

The business and assets of this old established silver antique dealing company are available for sale as a going concern as a result of receivership.

- Prestigious leasehold site in Chancery Lane, London, above the London Silver Vaults.
- Audited turnover of £10 million in the year to April 1992.
- Strong name, established reputation, founded in 1960.
- Substantial stock of high quality antique silver.
- International network of customers.
- Retail and trade sales.

For further information please contact:
Alan Barrett, Price Waterhouse,
No 1 London Bridge, London SE1 9QL
Telephone: 071-939 3000
Facsimile: 071-939 4176

Price Waterhouse

LEGAL NOTICES

No: 005821 of 1993

In the High Court of Justice
Chancery Division

IN THE MATTER OF
THORN LIGHTING LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 25th day of June 1993 presented to Her Majesty's High Court of Justice for the confirmation of (1) the reduction of the share capital of the above-named Company from £19,277,000 and US$139,430,000 divided into 19,277,000 Ordinary Shares of £1 each and 139,430,000 "A" Ordinary Shares of US$1 each to £192,770 and US$1,258,542.67 divided into 19,277,000 Ordinary Shares of £0.01 each and 139,430,000 "A" Ordinary Shares of US$0.0090265 each and (2) cancellation of the share premium account of the Company. AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 21st day of July 1993. ANY CREDITOR OR Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the share capital and cancellation of the Share Premium Account should appear at the time of the hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 9th day of July 1993
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA
Ref: SAW/egm/3118K
Solicitors for the said Company.

CITY SITE ESTATES PUBLIC LIMITED COMPANY

NOTICE is hereby given that by the Petition presented by City Site Estates public limited company to the Court of Session, Scotland for confirmation of reduction of share capital by the cancellation of the whole amount of the Company's share premium account, the Court on 5th July 1993 granted an order directing that the provisions of Sections 136(3), (4) and (5) of the Companies Act 1985 shall not apply as regards the creditors of the Company or any class of them and confirming the reduction of share capital by cancellation of the whole of the share premium account.

Said order, was duly registered with the Registrar of Companies in Glasgow on 9th July, 1993. Notice of which registration is hereby given.

McGrigor Donald
Solicitors for the Company
68-73 Queen Street
EDINBURGH
9th July, 1993

Caird Group plc

Notice is hereby given that by a Petition presented to the Court of Session on 8 July 1993 by Caird Group plc incorporated under the Companies Acts and having its Registered Office at Royal Exchange, Dundee, for confirmation of Reduction of Share Premium Account, the Court by Interlocutor dated 9 July 1993 ordered intimation and advertisement as therein provided and allowed all parties claiming an interest to lodge Answers thereto if so advised within twenty one days of such intimation and advertisement. Of all which notice is hereby given.

Brodie & Robertson
Solicitors for Petitioners
16 Walker Street, Edinburgh EH3 7NN

CONTRACTS & TENDERS

NATIONAL BANK OF GREECE

SUMMARY INVITATION TO TENDERS No 23.172

The National Bank of Greece S.A. intends to cooperate with a 'BACKUP SITE RECOVERY SERVICES' installed in Europe, using an IBM environment with a 50 MIPS CPU and 100 GB disk space.

The detailed invitation to tenders, including the installation specifications, the timescales and the participation terms may be obtained, only by those suppliers who meet the mentioned requirements, from the Organisation and EDP Centre Division of the National Bank of Greece, (2, Zissimopoulou Street, Office 401 175 64 Athens, tel. 00301-9303740, fax. 00301-9426539). Where foreign firms are concerned, it may be obtained by mail.

The offers shall be submitted or mailed to the above address until 30th September 1993 (08:00-15:00). No offers will be acceptable later than the above date.

NATIONAL BANK OF GREECE S.A.

LEGAL NOTICES

THE INSOLVENCY ACT 1986
PETRIE STAINLESS STEEL LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of Creditors will be held at The Galleria, Station Road, Crawley, West Sussex, RH10 1HY on 16 July 1993 at 10.30 am for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex, RH10 1HY not later than 1200 hours noon on 15 July 1993.

A list of the names and addresses of the company's creditors will be available for inspection free of charge, at the offices of Robson Rhodes, The Galleria, Station Road, Crawley, West Sussex, RH10 1HY on 14 July 1993 and 15 July 1993 between the hours of 10.00 and 16.00 hours.

Dated this 1st day of July 1993
Thomas Hall
Director

HOTELS & LICENSED PREMISES

HOTEL FOR SALE OR RENT

HOTEL DOES NOT FIT WITH PRESENT PLC REQUIREMENTS

52 bedroom hotel in N.E. town. ONLY 28 bedrooms in use. Others need refurbishment. Function Room 250 covers. Turnover forecast to 31.12.93 £350k ex VAT. Price: £475,000 Freehold.

For further details contact:
A. J. Richards
The Coach House, Bill Hill Park,
Wokingham, Berkshire RG11 5QT
Tel: 0734 776696 Fax: 0734 785199

On the Instructions of MD Blake Esq and JBR Dare Esq of KPMG Peat Marwick, Joint Administrative Receivers of HLM Developments Limited.

THE MANOR AT NEWLANDS
Nr Guildford, Surrey

Hotel set in approximately 6.5 acres

- 20 Letting Bedrooms with en suite facilities
- 3 Bedroom Managers House
- 8 Staff Bedrooms
- Restaurant for 60
- Ballroom for 120
- Conference Facilities

Ref. 4/5631

Offers in the region of £625,000 freehold

For further details and viewing arrangements contact:
Simon Hughes or Guy Bohane on 071 486 4231

CHRISTIE & Co

BEACON STORAGE LTD
(In Administrative Receivership)

Warehousing and distribution services with turnover of approx. £3.5 million for the year ended 31 December 1992.

For sale by Joint Administrative Receivers the business and assets including warehousing at:

	Approx. sq.ft.
Freehold	
Barking	133,000
Sheerness	57,000
Grays	9,000
Stoke on Trent	10,000
Leasehold	
Tetbury	60,000
Bolton	68,000

Please Contact Phillip Sykes and John Hill
Joint Administrative Receivers
BDO Binder Hamlyn
20 Old Bailey
London EC4M 7BH
Tel. 071 489 9000
Fax. 071 489 6295

BDO BINDER HAMLYN

Chartered Accountants

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

BUSINESSES FOR SALE

Appear in the Financial Times on Tuesdays, Fridays and Saturdays.

For further information or to advertise in this section please contact Karl Loynton on 071 873 4780 or Melanie Miles on 071-873 3308

FINANCIAL TIMES

CANADIAN COMPANY
For Sale

Hi-Tech imaging color separation specialist long established in Toronto. Central to the North American free trade market. For details

Fax 416-964-8067

RECEIVERSHIPS/LIQUIDATION - PINK PAGES - The weekly guide to every insolvent company. Direct contact with Liquidators/Receivers. Fully indexed according to company type. Free sample copy - Tel: (0273) 626681. 24 Hrs

INDUSTRIAL PLANT & MACHINERY

Valuers and Auctioneer seeks merger/outright sale. Principals only.

Write to Box B1298, Financial Times, One Southwark Bridge, London SE1 9HL

MAGAZINE ADVERTISING ASSETS of insolvent companies and businesses. Tel: 071-262 1164 Fax: 071 706 3464.

DIVERSIFIED SOFT FURNISHINGS CO

Seeks purchaser or merger opportunity for its fabric Wholesaling and Converting Division. Turnover £1.6m approx. Gross Profit 25% National Retail Customer Base

Write Box B1303, Financial Times, One Southwark Bridge, London SE1 9HL

STRUCTURAL STEELWORK

Well established and reputable structural steel fabricating company with good profit record and client base. Freehold modern factory located East Midlands. Offers for sale.

Confidential enquiries to Box B1314, Financial Times, One Southwark Bridge, London SE1 9HL.

Belgian pension rules discriminate

EUROPEAN COURT

A Belgian law which laid down different methods for calculating pension payments depending on the sex of the recipient was declared to be discriminatory and contrary to European Community law despite the fact that the retirement age of 60 was the same for men and women.

The case arose in the context of a preliminary reference from the Antwerp employment tribunal. Under Belgian law, pension rights were calculated on the basis of the number of years worked: this could not be higher than 45 for a man and 40 for a woman. The amount of the pension was fixed on the basis of a percentage of the individual's earnings.

However, for the years worked before 1955, the amount fixed was a standard sum. The male applicant was given his pension on the basis of 45 years' work, nine of which were pre-1955. Had the applicant been female only four of the "standard" years would have been taken into account and the recipient would have received a higher pension.

The court held that EC social security provisions prohibited discrimination based on the sex of the individual when calculating benefits. The system under Belgian law was discriminatory on this basis. The court also held that the Belgian system did not fall within the exceptions laid down in the relevant EC provisions.

The Court reiterated that the article in the EC directive laying down the principle of non-discrimination was of direct effect; and it had been so from the date set down for its implementation into national law. People discriminated against, it said, had the right to be treated the same as those who were at present favoured by national legislation.

C-154/92: Remi van Cant v Rijksdienst voor pensioenen, ECJ, July 1 1993

Parallel imports and the EC-Austria Free Trade Agreement

In a recent case, the Court was requested by a national court in Germany to give a preliminary ruling on the issue of parallel imports from Austria to Germany. This required the interpretation of certain provisions in the EC-Austria Free Trade Agreement.

The case concerned parallel imports of a medicine from Austria to Germany. The medicine had been made and sold in Germany. It was also exported by the manufacturer to Austria, where it was sold by the manufacturer's Austrian company.

A German parallel importer wanted to sell the same product in Germany by importing it from Austria. The only difference between the imported product and the domestic one was that the former would display a label with the importer's name and address.

The importer sought permission for sale in Germany from the domestic authorities. Documents showing that the product was identical to the domestic product were lodged in support of the application. Under German law, it was also necessary to produce evidence on the manufacture of the product and quality control methods. The importer referred to the manufacturer's evidence on these points, which had been lodged with the national authorities.

Authorisation was refused on the grounds that insufficient evidence had been produced. The matter was brought before a Berlin court, from where a reference was sent to the ECJ.

The ECJ held that the provisions relating to the free movement of goods in the EC-Austria Free Trade Agreement, which are identical to the corresponding provisions in the EC treaty, should be construed as prohibiting such action by the national authorities.

The British and Italian governments argued that, although the refusal to grant the relevant authorisation was contrary to the provisions in the EC treaty, the same could not be said when interpreting the provisions in the free trade agreement. This was because the free trade agreement did not envisage legislative harmonisation measures in the pharmaceutical sector. This argument was rejected by the ECJ.

C-207/91: Eurim-Pharm Gmbh v Bundesgesundheitsamt, ECJ 5CH, July 1 1993

BRICK COURT CHAMBERS, BRUSSELS

Simon Holberton on the challenges posed by listing mainland companies on Hong Kong's stock exchange

Solutions to Chinese puzzle

An experiment in marrying China's socialist civil law system to Hong Kong's version of UK common law is nearing completion, with the listing this month of the first mainland Chinese state-controlled company on the Hong Kong Stock Exchange.

Tsingtao Brewery, shares in which will be traded from this Thursday, is the first of nine companies being brought to market.

Incorporated in Tsingtao's articles of association is an attempt to codify common law on matters such as the role and responsibilities of directors, protection of minorities, and accounting standards.

Corporate law in China is still in its infancy. It was only in May last year that the Chinese government published a set of regulations governing companies, known as the Standard Opinion on Joint Stock Companies. The Standard Opinion applies to mainland Chinese companies which have issued, or plan to issue, shares to employees, the public or both. It is an interim set of regulations that has the force of law, and will stand until officials have drafted a comprehensive companies law – currently undergoing its fourth revision.

A Hong Kong Stock Exchange team, led by Mr Anthony Neoh, QC, and incorporating outside legal experts and representatives from the Securities and Futures Commission, the colony's corporate watchdog, worked for nearly a year with mainland Chinese counterparts on the terms under which the Hong Kong exchanges would accept a mainland company listing. The Hong Kong exchange and the SFC were concerned to ensure that minority shareholders in Chinese companies would have a level of investor protection comparable with that of shareholders in companies registered in Hong Kong. Hong Kong companies are subject to the colony's Companies Ordinance, stock exchange listing rules and regulation by the SFC.

The most difficult issue they had to overcome was the difference between Hong Kong and Chinese law. In China, law is found only in written codes. Case law, where it exists, is used merely for reference. By contrast, Hong Kong's law, as with other common law jurisdictions, is based on statute and principles developed in the courts, and so is found only in case law.

"The whole law on the fiduciary responsibilities of directors or the rights of different classes of shareholders has been built up by our courts since the 1850s and 1860s," says Mr Neoh. To ensure that mainland Chinese directors and managers would be subject to the same legal constraints as their counterparts in Hong Kong "we had to go back to the cases to extract the principles", he adds.

Helping hand: Hong Kong Stock Exchange wanted to protect shareholders

The mainland companies are issuing class "H" shares in Hong Kong. These shares differ legally from class "A" shares, which will be issued to mainland shareholders, much in the same way as ordinary shares differ from preference shares. The question of class rights – between holders of "H" and "A" shares – was solved by adopting Canada's codification of common law on the subject, as enshrined in its Business Corporations Act.

Other factors, such as the duties and obligations of directors, were derived from Hong Kong case law. China's Standard Opinion says the duty of directors is to act "honestly and sincerely"; it is silent on a director's obligations. The articles of association of Tsingtao incorporate standard "duties and obligations" familiar to any western director, such as: "To observe obligations of a fiduciary not to place himself in a position where his duty and his interest may conflict."

Another potential difficulty was shareholders' right of redress in the courts. This was solved by incorporating in the articles of association a provision for disputes to be adjudicated – at the choice of the claimant – in either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Judgments in either tribunal are enforceable in either jurisdiction, because China and the UK (and by extension Hong Kong) are party to the New York Convention for ths Recognition and Enforcement of Arbitral Awards.

The mainland companies have also accepted that their directors can be sued personally. Under Hong Kong corporate law only the company can sue its directors. If a shareholdsr can prove oppression by a controlling shareholder, an individual can sue a director on behalf of other minority shareholders in what is known as a "derivative action".

A derivative action, however, is an unknown legal concept in China. So, through a series of interlocking contracts signed by the directors and the company, shareholders in the nine state companies will be able to sue a director personally.

Mr Neoh concedes thet it is difficult to predict how this provision will develop, but says: "This provision will put pressure on non-defaulting directors to act against the defaulting director to avoid their being embroiled in a legal dispute."

The talks between the mainland Chinese and Hong Kong officials were facilitated by the fact that many of them had western legal training, says Mr Neoh. He says, for example: "I asked them what their conception of a limited company was. One senior official said a limited company was one where the company was liable only to the extent of its capital. Another, giving the correct answer, said s limited company meant shareholders were not liable for more than their initial subscription." At thet moment, says Mr Neoh, one mainland official piped up: "Salomon against Salomon" – a reference to a US case from 1897 which established the limitations of liability of shareholders to their subscription of capital.

The initial Chinese confusion stemmed from the definition of a company in the Standard Opinion, says Mr Neoh. It says a shareholder "must, within the limits of his contribntion, be responsible for the company's debts".

In spite of recent developments, modern law in China – only 14 years in the making – remains in a state of flux. It is a land where the rule of man has always prevailed over the rule of law. From imperial times to the present, the *obiter dicta* of the emperor or the Communist party chief has been accorded the force of law. In 1988, Mr Peng Zhen, a senior Communist party elder who, in UK legal terms, held the twin responsibilities of home secretary and Lord Chancellor, was asked if the law was more important than the Communist party. "I'm not very sure abont thet," Mr Peng said.

The codified common law written into the articles of association of the Chinese companies being listed in Hong Kong does not recognise the Communist party. Duties and obligations are framed solely in terms of a company's relationship with its owners.

Mr Neoh is cautiously optimistic. "We have spent a lot of time with these companies – I have visited three of them myself – and they are very kean to comply with our rules," he says. "There are two forces working in our direction: management have a boss to report to; and there is market discipline. Their share price will fall if they break the rules."

But he concedes he cannot forecast how successful the changes will be. "I can't predict anything; I'm just hoping. We should know within the next six months or so."

LEGAL BRIEFS

Regional firms compete with City of London

Large regional firms are competing increasingly for work that has traditionally been done by City of London law firms, according to the 1993 edition of The Legal 500*, the latest edition of the clients' guide to the UK's top 500 law firms, which has just been published.

Regional firms have improved in quality terms, it says, and have proved very competitive on cost. During the recession this has proved attractive to commercial clients.

Otherwise, this sixth edition of the guide contains few surprises. The list of the top 10 company and commercial law firms in London, for example, is the same as in 1992, except that Allen & Overy and Lovell White Durrant have moved up a couple of places at the expense of Norton Rosa and Herbert Smith.

One feature absent from the 1993 guide that will be sorety missed is its recommendation of "firms going from strength to strength". Perhaps this is an indication of the impact of the recession on the legal profession.

**The Legal 500 – the Client's Guide to UK Law Firms, by John Pritchard, Legalease, £39*

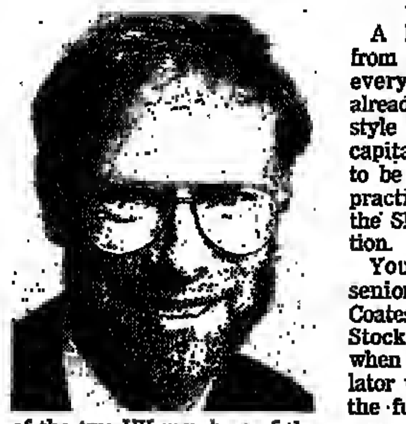
Trademark award

Quaker Oats Co has been ordered to pay $26.5m in damages to Sands, Taylor & Wood Co, a small Vermont company, in what is believed to be the largest award for trademark infringement ever made.

Quaker was originally ordered to pay $42.6m to Sands for infringing its trademark "thirst-aid" by using it in an advertising campaign for Quaker's best selling soft drink, Gatorade. The award was reduced after a federal appeals court ruled that the original award was too high.

PEOPLE

Richard Farrant to head SFA



The Securities and Futures Authority, the self-regulatory organisation for the professional securities business, is replacing John Young, who has moved on to become chief executive of the Securities & Investments Board, with Bank of England veteran Richard Farrant.

Farrant, 49, who has been at the Bank since 1967, is currently one of the four deputy heads of banking supervision, with specific responsibility for supervisory policy. He has therefore had no recent line-management responsibilities for the likes of BCCI, and is not named in the Bingham report which criticised the Bank of England's supervisory role in the collapse of the corrupt international bank.

Christopher Sharples, chairman of the SFA, points out that Farrant is "very knowledgeable" on the international aspects of the SFA's business. In addition to his familiarity with Brussels and the formulation of EC directives, he is one of the two UK members of the Basle Supervisors Committee, and has chaired its off balance sheet group since 1991.

He has also had spells abroad, notably with the IMF in Washington and in Hong Kong. Between 1984 and 1986, he served as adviser to the Hong Kong Banking Commissioner, handling a succession of crises in local banks as well as working on the revision of the centre's bank supervision law.

A keen cyclist, pedalling from Paddington to the Bank every morning, Farrant is already familiar with the SFA's style having worked with its capital committee. He claims to be impressed by the "close practitioner involvement" in the SFA's approach to regulation.

Young, a former deputy senior partner of Simon & Coates before he moved to the Stock Exchange, was there when TSA, ths securities regulator which later merged with the futures regulatory body, was set up, and is credited with helping to set the tone for an informal and practical approach to regulation. "The SFA has been good and diligent, and possibly lucky, in not having an accident on its doorstep," comments one well-placed source.

While there are few Bank of England alumni in senior positions at the SROs, the SFA's head of enforcement, Andrew Jennings, spent ten years at the Old Lady.

Emmott shops down south at Sainsbury

The mystery over the destination of Bob Emmott, who resigned last week as joint deputy managing director of Wm Morrison, the Bradford-based superstore chain, was solved yesterday when J Sainsbury announced his appointment as managing director, specialist businesses.

Sainsbury admits the appointment of an outsider to such a position is unusual, but observes that Morrisons is a "highly-respected" regional superstore operator and Emmott has broad experience.

Emmott, 49, will have full profit responsibility for Sainsbury's petrol stations, in-store bakeries and restaurants. It is the first time these businesses, currently the responsibility of different directors, have been brought together under one manager. Emmott also gets a sest on the board at Savacentre, Sainsbury's hypermarket chain. He will report to David Clapham, a member of Sainsbury's main board.

Moving to Sainsbury may be something of a culture shock, but Emmott's 23 years with Morrisons – during which time he has had responsibility for trading, marketing, store operations, planning and formats, and distribution and factories – should equip him well.

Jim Wadia to become new managing partner for Arthur Andersen

Jim Wadia is to become managing partner of Arthur Andersen, the UK's fourth largest accountancy firm, in succession to Roy Chapman.

Chapman, 56, is retiring following completion of his four-year term as managing partner for the UK. He will leave at the end of the year after a four-month transition period.

Wadia, 45, wboss appointment was ratified by a vote of the UK partners after internal consultation, has spent his career working on tax matters. Currsntly deputy managing partner, he takes on the new role on September 1 at the start of Andersen's fiscal year.

Chapman became managing partner of the London office in 1984, and has been managing partner of the UK firm since 1989. He has served on the worldwide board of partners since 1988 and is chairman of its remuneration committee.

He says he had long planned to retire in his mid-50s, and that it is standard practice to step down from major responsibilities at this age. He stresses thet he is retiring, and intends to travel and pursue leisure interests for the first few months. After that, he says he may consider becoming a non-executive director.

The business logic behind British Telecommunications' investment in M.W. Marshall, one of the world's biggest foreign exchange brokers, may not be as powerful as it was, bnt for Barry Cameron Smail, who negotiated the deal, it has a happy ending.

Cameron Small, a 38-year-old Scottish accountant, has been BT's representative on the board of Marshalls Finance, M.W. Marshall's parent, since the £175m management bny-ont in February 1989. After four and a half years working for Britain's biggest company he has decided to give up his job as finance director of BT's personal communications division and return to the financial services industry as an executive director of M.W. Marshall.

His decision to return to full-time City life – he used to be treasurer of Commercial Union – is not entirely unrelsted to tbe shrinkage in the size of BT. He was recruited to be BT's treasurer by Barry Romeril, the BT finance director, who recently departed for Xerox. The BT workforce has shrunk from 240,000 to 170,000 in Cameron Smail's time and he says that he missed the financial services industry.

Mike Knowles, Marshall's chairman, says that now that the company has paid back much of its MBO debt it wants to start filling in some of the gaps in its activities and Cameron Smail will be responsible for expanding the capital markets side. "We are very strong in cash markets but want to grow in off-halance sbeet areas," says Knowles.

One of the reasons that BT took a 30 per cent stake in the M.W. Marshall buy-out was so that it could learn more about what its customers in the foreign excbange markets wanted. Although the market for sophisticated foreign excbange dealing equipment has not proved as lucrative as once thought, it is understood that in financial terms BT's investment in Marshalls has turned out well.

Lessons from the low life

Mary Rose Beaumont reviews Peter Howson in Glasgow

It may sound somewhat premature for an artist to have a major retrospective at the age of 35, but Peter Howson has no difficulty whatever in filling the vast halls of Glasgow's McLellan Galleries with astonishing conviction. The earliest work in the exhibition is a small but vivid crucifixion; painted at the precocious age of six, it is prophetic of the subject of many of his mature paintings, in which a single figure is tied to a post, a humiliation actually undergone by a schoolfriend of the young Howson. This unpleasant event left an indelible memory of human cruelty which has never been exorcised and is indeed one of the constant motifs in his work.

Howson attended the Glasgow School of Art from 1975-77. He did not flourish and left, ironically, to join the Scottish Infantry, a course which confirmed his early experience of male brutality, later recorded in several shocking pictures. Before returning to the School of Art, he did various menial jobs which gave him a unique insight into the low life of Glasgow, a fruitful source of inspiration ever since. His repertoire of characters, observed during those years, include boxers, dossers, derelicts and drinkers, all failures and rejects of our society.

Scottish Expressionism came to the fore during the 1980s, and Howson, along with other graduates of the Glasgow School of Art, sprang to prominence in an exhibition called *New Image Glasgow* which alerted the world to a new, feisty, urban-based art, inspired to an extent by German Expressionism, but with a compassion for the underdog which was peculiar to Scotland. Baudelaire would have been delighted with this late 20th century celebration of "the heroism of modern life".

Howson has been accused of excessive caricature. I think exaggeration is a better word, exaggeration of features and gestures to make his point: the bully boys look more bestial, the depraved look more delinquent, and the depressed look suicidal. Mob hysteria, such as at a football match, and Nazi salutes given by those taunting a trussed and helpless victim, are warnings against the kind of mindless violence with which we are becoming increasingly familiar. So-called "Patriots", as we know, are easily transformed into right wing extremists.

Howson's most impressive achievements are his triptychs, which have rightly been called apocalyptic. The world is his stage and human conflicts and desires his subjects. Violence on a global scale is endemic in these works, yet he can present sympathetically the predicament of a single individual: in "The Three Faces of Eve", 1990, the three panels trace the downfall of a young woman from innocent childhood through the stew of a grotesquely decadent nightclub to her degradation and probable death in a graveyard. One is swept along by the narrative, marvelling at the technical skill with which the artist has deployed the complex compositions.

'Patriots' by Peter Howson: a warning against mindless violence

Portraits are important to Howson. He has portrayed himself in many moods and aspects, but perhaps his most sustained achievement is the set of 25 etchings entitled "Saracen Heads", 1988, a gallery of exquisitely drawn beads of paper cut-outs. Wiszniewski types encountered in the Saracen pub close to his studio in Glasgow's East End. A series of "Gallowgate Guests", 1991, in mixed media on paper, investigates another terrifying array of mostly evil-looking people, many of whom, like the pig-faced patriot have appeared in the *paintings* (*to September 5*).

*

At the Glasgow Print Studio Adrian Wiszniewski is showing a new suite of ten prints in a variety of techniques entitled "Sex and Matisse". The prints play on a variety of themes by or of Matisse – a bather, an odalisque, a musical instrument in an interior and a photograph of the wheelchair-bound old man directing an assistant (an odalisque up a ladder) on the placing of his paper cut-outs. Wiszniewski also had in mind Madonna's book *Sex*, the titles of his prints wittily playing on the crossover between artist and artiste, between camp and vamp.

Wiszniewski has abandoned his erstwhile dreaming youths for wall paintings covered with huge abstract marks made with a house painter's brush. Cursively written neon signs give full rein to his visual jokes and puns, such as "If in Doubt, Use Black", a hoary art school cliché, or "This Happy Void", a phrase with which the artist aims to counteract the prevailing *fin de siècle* gloom with bounding optimism.

The most recent work is in cut and painted perspex. Here too, the titles are important: "Coffee and Cream" is a small white square set over a larger one in "Café au lait". A set of glorious carmine rectangles arranged according to the Fibonacci system is entitled "Rosebud", a not so oblique reference to *Citizen Kane*. These seem to me to be key works, perhaps even a turning point in Wiszniewski's career (to *July 24*).

*

The William Hardie Gallery is showing *Some Very New Paintings* by David Hockney. The paintings are designated simply as "The First (or Twenty First) VN Painting", and what is VN about them is that they are brilliantly coloured, almost entirely abstract paintings in the same mode as those currently on show in the Royal Academy Summer Exhibition. The works stem from Hockney's designs for Richard Strauss's *Die Frau Ohne Schatten*, which was performed at Covent Garden last autumn. As the hero of the opera is Barak the Dyer, Hockney conceived the settings in terms of colour, light and texture, which has translated very effectively into easel paintings. Those who think of Hockney as a consummate draughtsman and figurative painter will hate these VN paintings, but those who are prepared to follow him onto the stage will enjoy them for their lush ebullience (to August 27).

Concert/David Murray

A symphony of familiar effects

At the Barbican on Sunday, Radu Lupu gave an immaculate account of Beethoven's C minor piano concerto, the Third. The light gravity which is Lupu's special grace – everything judiciously weighted, nothing portentous – was ideal for the work. Though his platform demeanour was dour as ever, he lit up every movement, from his beautifully poised entry in the first movement to the playfully pointed Rondo. The Largo was a singing idyll.

The London Symphony was conducted by Mstislav Rostropovich, who is regularly at his best when accompanying an artist he admires. Throughout, he was as attentive and sympathetic as could be. So he was, evidently, in the Fourth Symphony – "The Morning Star Arises" – of Vyacheslav Artyomov, which was receiving its world premiere here through his good offices; that, however, was surely misplaced loyalty. Artyomov is yet another Russian composer of whom the West has scarcely heard, but he sounds most unlikely to acquire the almost-overnight fame of Gubaidulina or even Gorecki.

His Fourth completes a tetralogy, after "The Way to Olympus", "On the Threshold" and "Gentle Emanation". The project has a Skryabineeque ring, confirmed by Artyomov's declaration that his music "is an expression of my inner soul as a composer, and that is how it reflects the soul of the world". Without wishing to contradict him (for what he writes is doubtless passionately felt), one may add that it also reflects the most ear-catching devices of recently fashionable Western composers. It is a "symphony" of familiar effects, notable only for squeezing so many of them into one work.

It took nearly three-quarters of an hour, of which a record number of minutes outstayed their welcome. It began with stormy churnings, like the more hectic passages in a Skryabin symphony, though there was a sudden echo of Holst's "Uranus". (At the close, "Neptune" would come irresistibly to mind as well, and some Britten and Messiaen surfaced too.) There was an interlude of slow, ticking harps over menacing rumbles, with florid outbursts for unison strings; the climax lay agonisingly high for the violins. A skirling oriental march came and went like an irrelevant memory of Borodin.

Eventually the music settled into middle-period Berio mode, almost immobile: long, sustained chords shifting only by a note or two at a time. A groundswell of "celestial" hinging and honging which had threatened earlier – Artyomov's percussion is recklessly, self-defeatingly overdone – became a flood, and children's voices sang something uplifting (not identified in the programme). With only a construction of the loosest kind to shore them up, none of these effects seemed more than wilful hectoring. Not much fun.

Pop/Antony Thorncroft

Neil Young

The Gods seem to favour ageing hippies. Amazement that they have survived, touched with awe at the amount of death defying drugs they have absorbed, gives them an almost priestly authority. They also seem to have control over the elements. As Neil Young stepped on stage at Finsbury Park on Sunday night the rain stopped. It stayed cold, dank and dismal, but marginally the spirits perked up.

They stayed perked for the next two hours as Young went through his considerable bag of tricks. He has over 20 years of recorded products to choose from, covering every highway and byway of pop, from Woodstock dottiness to poke-in-the-eye grunge. You somehow forget that he was responsible for such classics as "Heart of Gold", "Only Love Can Break Your Heart" and "Alabama", and on and on. He could fill a week's play list on Classic Gold, yet he still retains a musical integrity and the respect of the myth makers.

It was all on offer in the park. For a man who set up the original super group with Crosby, Stills, and Nash it is natural that he should now call on the revered Memphis blues band, Booker T and the MGs to back him. Not that he needs them. Young is a big musician, tall and sturdy, the mop of hair surprisingly dark, the bald spot well disguised, the presence commanding. He is also big in sound, contrasting his wailing, jagged, feed-back driven guitar with some plaintive harp blowing. If this is returning to the past it is exhilarating enough to make conservatives of us all.

The band was very much a supporting group, despite the lustre of legendary guitarist Steve Cropper and Booker himself towering over the keyboards. This was Young's party. It began slowly, inhibited perhaps by the cold, and the rather forlorn-feeling crowd. The opening songs were equally melancholic, with Young, digging deep into his roots for "Southern Man" and the stricken "Helpless". Gradually the atmosphere warmed up with "Motorcycle Man", which brought in backing vocals, and a buzz in the audience.

From being a static voice in a gathering gloom – and Young's voice has deepened for the better over the decades – Young started to stomp the stage, and the whole performance picked up steam. It is useless to pretend that a sombre evening in a scrappy London park is an ideal setting for such a manic performer. He flowers best in the claustrophobia of a small club, where he can pepper his wit and cynicism over his music. But as he concentrated on the classics, and brought in the band from the shadows for party pieces, you at least knew you were experiencing one of the true giants of pop, a man for all seasons. You can hardly grudge him his late flowering as a big venue money grabber.

Kevin Anderson and Patti Lupone in Andrew Lloyd Webber's 'Sunset Boulevard', which opened at the Adelphi last night, will be reviewed tomorrow

Rain stops play in Avignon

Anthony Curtis finds Molière's Don Juan gets more than he bargained for

The Don Juan of Molière has a career that is identical with that of Mozart's Don Giovanni, not surprisingly since they both stem from the same original written by a Spanish monk. In both play and opera the Don has a faithful servitor who accompanies him on his travels, takes much of the rap for his misdeeds, and at one point swaps identities with him. But, as emerges from the new production of Molière's comedy at Avignon that opened this year's Festival, there is a world of difference between the mood of the two works.

Through the interrogation of his master, amusingly combined with deference and flattery, Molière's Sganarelle forces him to define and redefine his position in relation to the traditional Christian tenets he has repudiated. The result is a mixture of black comedy and socratic dialogue that rips apart the basic assumptions of family life. No wonder the Church saw that the play should remain unstaged for many years and then allowed it to reach the stage only in a sanitised version by Thomas Corneille. This was in spite of the climax, as in Mozart, when the statue of the Commander whom Don Juan has killed in a duel, comes to dinner – the subtitle is *Le Festin de Pierre (The Stone Feast)* – and consigns him to hell.

At the first night in Avignon when the stone Commander nodded his head in acceptance from his plinth there were magnificent claps of thunder and flashes of lightning. Full marks, we thought, to Jacques Lassale, the administrator of the Comédie Française who has directed this production. But no, the storm was for real. Then the unthinkabla happened, the heavens opened and the rain poured down. There is no shelter either for actors or audience in the Courtyard of the Papal Palace and so at around midnight the play was abandoned with two acts still to go. I cannot remember rain stopping play here ever before and I have been covering this Festival for at least 10 years.

Even so three acts out of five were enough to take the measure of Lassale's production. The setting could not be more simple or more effective. A cluster of conifers to the left of the stage and a small stream in front serve as the decor. Towering above them is the great medieval facade of the palace alternatively shrouded in darkness or bathed in soft yellow light. It is a formidable arena for a conflict between good and evil, expressed through the discrepancy between appearance and reality, underlined by Lassale in a series of costume changes. The Don enters in the traditional black doublet and hose of a Spanish nobleman and we observe him being stripped of this habit by the tubby cynical Sganarelle of Roland Bertin, an experienced actor who has played many roles here in previous festivals. The hero is then shaved and re-attired on stage in a colourful costume suitable for a masquerade. This Don Juan has to contend not only with the ghost of the Commander but with several historical ones, the ghosts of those great actors who have played the role in living memory – Jouvet, Vilar, Strehler among them.

Avignon's new Don Juan, the Polish actor Andrzej Seweryn has been working in France since 1980. He joined the Comédie Française this year and he gives an exciting interpretation of the exacting role. He has grace, agility, gentleness; his striking lantern-jawed face provides a fine impassive mask to match the enormity of his utterances and behaviour. He treats the tirades as if they were nocturnes by Chopin, delivering them with delicate, subtle articulation. The same lightness of touch is evident in his bodily contact with the other characters, notably when he encounters his discarded wife Elvira. This role of the one-time nun is played by Jeanne Balibar, a young actress still a pupil of the Conservatoire: a great opportunity which she seized passionately. Clearly we are going to hear a lot more of her in the future.

The later scene with the two peasant girls (Catherine Sauval and Cecile Brune) to both of whom Don Juan has promised marriage was played with a similar balletic mobility. As Don Juan removed their bonnets and let down their hair, it seemed only right and proper that they should have rejected their longstanding rustic boyfriends in order to marry him. Seweryn elegantly deflects their questions, refusing to commit himself to either by name. In the end the two women are left embracing each other, the Don having once more escaped.

Lassale is on record as saying that he views the comedy as "a kind of road movie." Don Juan uncovers new aspects of himself with each encounter. They are marked by the director's skilful use of the elements – water into which one of his assailants is thrown, earth on which he sits, fire by the light of which he unfolds his pragmatic morality to his servant. It will be interesting to see how Lassale copes with these effects when this essentially open-air production transfers to the Salle Richelieu in Paris later this year. At least it will not be rained off there.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: chamber music evening with pianist Douglas Ashcroft and friends. Tomorrow: Herman Krebbers, former leader of Concertgebouw Orchestra, plays violin concertos by Bach and Vivaldi. Fri, Sat, Sun: Arnold Ostman conducts Radio Chamber Orchestra in three different programmes of music by Mozart, with soloists including violinist Emmy Verhey and pianist Melvyn Tan. Next Tues: Hilliard Ensemble (671 8345)

■ ATHENS

Odeon of Herodes Atticus Tonight: Central Ballet of China. Tomorrow and Thurs: Gennadi Rozhdestvensky conducts Moscow State Symphony Orchestra, with cello soloist Mstislav Rostropovich. Fri: Athens State Orchestra. Next week: Ballet de l'Opéra da Paris (322 1459)
Epidaurus The annual festival of ancient drama in the 1400-seat amphitheatre at Epidaurus has performances on most weekends throughout the summer. This week'a performances on Sat and Sun are Aristophanes' Ecclesiazousae (Women in Parliament). July 31, Aug 1: Menander's Samia. Tickets are available daily at the Athens Festival box office (322 1459) or at the theatre of Epidaurus on Thurs, Fri and Sat (0753-22006)

■ ANTWERP

ANTWERP 93 Sat, Sun, next Mon and Tues: festival of historic keyboard instruments masterminded by Jos Van Immerseel, with concerts by Willem Janssen, Patrick Cohen, Yoshiko Kojima and others at various locations. July 20: first of a series of performances of Opéra Equestre, circus opera with horses and traditional music (226 9300)

■ CHICAGO

RAVINIA FESTIVAL
Tonight: Louie Anderson. Tomorrow: Gordon Lightfoot. Thurs: Rudolf Firkusny plays Dvorak's Piano Quintet Op 81 with Transylvanian Quartet. Fri and Sat: Lawrence Foster conducts Chicago Symphony Orchestra in a Russian programme (Fri, with pianist Horacio Gutierrez) and concertos by Mozart, Walton and Grieg (Sat, with soloists including pianist Leif Ove Andsnes). Sun: Foster conducts Faust Act III and Rigoletto final act with soloists including Renée Fleming and Denyce Graves. Next Mon: Randy Newman. The festival runs till early September. (Tel 312-728 4642 Fax 708-433 4582)

■ COPENHAGEN

Tivoli Tonight: Meiningen Residenz Orchestra plays works by Bach family. Tomorrow: Tivoli Symphony Orchestra plays works by Weber and others. Thurs: European Community Chamber Orchestra. Fri: Viktor Tretiakov plays Brahms' Violin Concerto. Sun: Arhus Sinfonietta plays works by Ruders, Ives,Falla and Marthinsen. The summer concert season runs till Sep 17 (3315 1012)

■ LONDON

THEATRE

- Sunset Boulevard: Andrew Lloyd Webber's new musical based on the 1940s Billy Wilder film (Adelphi 071-344 0055)
- The Mountain Giants: William Gaskill directs Pirandello's unfinished play about theatrical illusion. Final preview tonight, opens tomorrow (National 071-928 2252)
- The Taming of the Shrew: Bill Alexander's play-within-a-play treatment of Shakespeare's comedy. Previews from Thurs, opens next Tues (Barbican 071-638 8891)
- Misha's Party: world premiere of a new play about the background to the attempted coup in Moscow in 1991. Co-written by Richard Nelson and Alexander Gelman as a joint commission from the RSC and Moscow Art Theatre. Previews from tomorrow, opens next Wed (The Pit 071-638 8891)
- The Madness of George III: Alan Bennett's award-winning play about a king's derangement and its effect on the tottering state. Nigel Hawthorne repeats his acclaimed performance as the afflicted monarch in Nicholas Hytner's production. From Thurs in the Lyttelton (National 071-928 2252)
- Present Laughter: Tom Conti directs and stars in the Noel Coward comedy (Globe 071-494 5065)
- Grease: David Gilmore directs the musical based on the film. Now in previews, opens on Thurs (Dominion 071-413 1411)
- For ticket information about West End shows, phone Theatreline from anywhere in UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962. Most London theatres are closed on Sunday.

MUSIC/DANCE
Covent Garden Tonight: Valery Gergiev conducts first night of John Cox's new production of Eugene Onegin, designed by Timothy O'Brien, with a cast led by Sergei Leiferkus, Galina Gorchakova, Gegam Grigorian and Nicolai Ghiaurov (repeated July 15, 17, 20, 22, 24). Tomorrow, Fri: Don Giovanni with Thomas Allen, Claudio Desderi and Karita Mattila (071-240 1066)
Coliseum Kirov Ballet season: this week'a performances are La Bayadère and the Lavrovsky production of Romeo and Juliet. Daily except Sun till July 31 (071-836 3161)
South Bank Centre Jazz Parade: guest artists include Al Green, Count Basie Orchestra, Nancy Wilson Trio, Arturo Sandoval, BB King and Linda Hopkins (daily till Sat). Glyndebourne Festival Opera presents The Merry Widow on Sun, next Tues and Thurs, starring Felicity Lott (071-928 8800)
Barbican Tomorrow:Barbara Cook cabaret. Fri: Chick Corea. Sat: Barbershop evening. Sun: National Youth Jazz Orchestra (071-638 8891)
Royal Albert Hall Fri: Andrew Davis conducts concert performance of Elektra, first night of 1993 BBC Proms season. Sat and Sun: Yan Pascal Tortelier conducts BBC Philharmonic, with soloists including Cecile Ousset and John Tomlinson. Next Mon: Davis conducts Tippett's Fourth Symphony and world premiere of new John Butler work (071-589 8212)

■ MILAN

Teatro alla Scala Tonight: Daniele Gatti conducts first of seven performances of the Pizzi production of Tancredi, with alternating casts including Chris Merritt and Mariella Devia (7200 3744)

■ ROME

ROMAEUROPA
Tonight and tomorrow at Villa Massimo: Angelin Preljocaj dance ensemble. Fri at British Council: soprano Nicola Walker Smith and trombonist Barrie Webb in music by Jonathan Harvey and others. Next week: Rudolf Buchbinder, Nederlands Dans Theater and Jonathan Burrows Group (4890 4024)

■ ROTTERDAM

De Doelen Andrew Lloyd Webber'e musical Evita, directed by Harold Prince, opens on Fri for seven performances (217 1717)

■ TURIN

Teatro Regio Tonight and tomorrow (Piccolo Regio): Compagnia Virgilio Sieni Danza in choreographies by Virgilio Sieni. Tomorrow and Thurs: LaLaLa Human Steps in choreographies by Edouard Lock. Sat and Sun: Balletto di Toscana in Mediterranea, choreography by Mauro Bigonzetti. Next week: Moshe Efrati Koldmame Dance Company and Les Ballets de Monte Carlo (8815 241)

■ WASHINGTON

- The Phantom of the Opera: Andrew Lloyd Webber'e musical, directed by Harold Prince. Till Aug 28 (Kennedy Center Opera House 202-467 4600)
- Strindberg in Hollywood: Drury Pifer's portrait of the 19th century dramatist in 1993 Hollywood. Till July 18 (Woolly Mammoth Theater 202-393 3939)
- Lend Me a Tenor: operatic farce by Ken Ludwig. Till Aug 1 (Olney Theater 301-924 3400)
- The Twilight of the Golds: Jonathan Tolins' witty family drama with moral, emotional and physical undercurrents. Till Aug 1 (Eisenhower Theater 202-467 4600)

MUSIC/DANCE
Wolf Trap Tonight, tomorrow: stars of the Bolshoy and Kirov Ballets in selections from Giselle and other classical ballets. Thurs: Roger Whittaker (1624 Trap Road, Vienna, Virginia, 703-218 6500)
Baltimore Symphony David Zinman conducts six Mozart programmes over the next three weeks, with soloists including violinist Joshua Bell .The first three concerts are on Thurs, Sat and next Tues (Joseph Meyerhoff Symphony Hall, Baltimore 410-783 8000)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesdey: Performing erts guide city by city.
Wednesdey: Feetivale Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

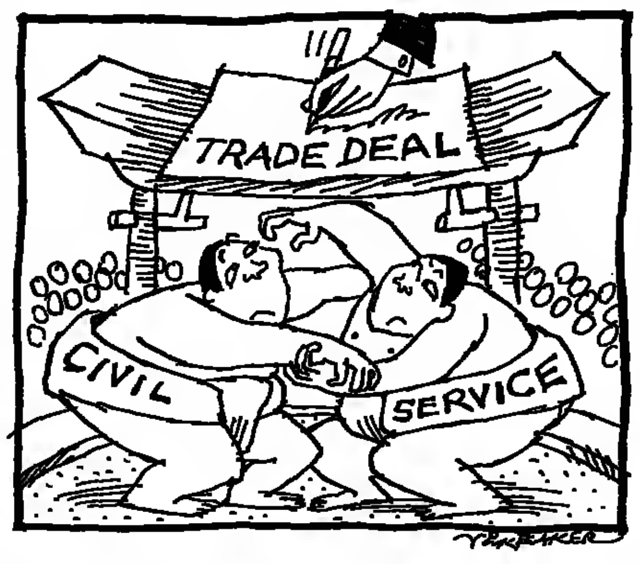
European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Timae Reports 2130
Thursday Sky Naws: Financial Times Reports 2030; 0130
Friday Super Chennel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: Wast of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Unusual show of strength

Japan's election poses questions about the bureaucracy's role, writes Charles Leadbeater



Mr Kiichi Miyazawa, Japan's prime minister, apparently mortally wounded by a no-confidence vote against him two weeks ago, turned the conventional wisdom of Japanese politics on its head last week: he took a decision.

Not only was the decision significant – to make concessions to secure a framework for trade talks – but Mr Miyazawa did so despite opposition from one of the most powerful arms of Japan's bureaucracy, the Ministry for International Trade and Industry.

Mr Miyazawa bypassed Miti with a personal letter to President Bill Clinton to reopen talks with the US, stalled in Tokyo 10 days ago. Miti was furious, bnt worse was to come.

Mr Miyazawa repeatedly intervened last week to keep negotiations going. His boldness sent a shudder through the ordered world of Kasumigaseki, the Tokyo district between the Imperial Palace and parliament, which is home to Tokyo's shabby ministries.

The life of the elite bureaucrats of Kasumigaseki rests upon a clear division of labour: they decide the policies, the politicians present tbem; the bureaucrats worry about Japan's long-term interests, the politicians worry about getting re-elected; the bureaucracy prides itself on probity, the political system is lubricated by corruption.

It was widely assumed that this division of labour would be reinforced by the political turmoil in the run-up to next weekend's general election, which was triggered by the no-confidence vote.

The prime minister was supposed to be a lame duck. The splits in the Liberal Democratic party ranks mean the next government is almost certain to be a coalition, preoccupied with political reform. So, many assumed, the bureaucrats would fill the vacuum by increasing their already prodigious power.

Mr Miyazawa's sudden transformation into a man of action bas sent the bureaucracy a warning. Tbe political upbeaval is not simply a challenge to the LDP's political dominance, it is threatening to rewrite tbe rules by which Japan has been governed since 1945. Under tbose rules, the LDP, in power for 38 years, has provided a politicel umbrella under which the bureaucracy can work untroubled by political interference. The LDP has benefited from its privileged access to ministries, and can press for concessions on behalf of constituents who may want building regulations relaxed or a bridge built, for instance.

So the bureaucracy shares with the LDP a vested interest in maintaining the post-war framework which has given it such influence.

Japan's top civil servants have been bred to rule. They are as powerful as their counterparts in France, while being more pragmatic. They are more practical than the British and less politicised than the Americans.

The bureaucrats are also a closed society – the top echelons of the finance ministry, the pinnacle of the bureaucracy, are drawn almost exclusively from one department of Tokyo University, the law faculty. The graduates of the bandful of universities – Tokyo, Waseda, Keio – which staff the upper posts of the civil service will move through their careers together at the same orderly pace, frequently crossing paths.

Yet in spite of this incestuousness, ministries compete fiercely to guard their turf. The finance ministry, Miti and the foreign ministry run parallel, but sometimes conflicting, foreign policies which cover trade, finance and diplomacy.

Each ministry has a mission. At the finance ministry it is to keep the pnblic finances out of the clutches of spendthrift politicians. At Miti it is to promote the interests of Japanese industry. At the foreign ministry it is to shepherd Japan into a wider world role to match its economic dominance.

Mr Noboru Hatakeyama, until recently the top official at Miti, believes the bureaucrats will steer Japan through the political turmoil ahead. He explained: "This may be a fundamental change in the political structure but not in the bureaucratic system, which is very stable, with capable people who will serve their country even if thers is are big changes in politics."

In the short term, bureaucrats may gain more power. A senior finance ministry official said: "The bureaucracy is powerful when the politicians are divided. When they cannot agree they turn to us for policies. If Japan is now going to have rather unstable coalition government, with divisions between partners on policies, then tbe bureaucracy may have to do more by way of making policy."

Yet the idea that the civil service will emerge after the election as the main winner is probably mistaken, for two reasons.

First, top officials admit big decisions can only be taken by democratically accountable politicians rather than unelected bureaucrats. As a rising stars at the finance ministry admitted: "The bureaucracy will keep the wheels of government moving on small, routine decisions. But big issues, like tax reform or whether another pump-priming package is needed to boost the economy, require political leadership. The bureaucracy is too cautious to take such decisions on its own."

Mr Shinichi Kitaoka, professor of politics at Rikkyo University, put it this way: "Japanese bureaucrats are generally a talented lot but the bureaucracy operates effectively only when it has good precedents. The end of the cold war and the turmoil in Japan is taking us into a world without precedents. Politicians must lead the way where no precedent exists, especially when decisions such as on trade have global repercussions."

Second, Japan's young reformers want to reorganise the relationship between politics and the bureaucracy, to put politicians firmly in the driving seat. Mr Ichiro Ozawa, one of the leaders of the Japan Renewal party, formed after splitting from the LDP, argues Japan needs two parties capable of governing to reinvigorate political debate. Mr Ozawa also believes Japan needs more decisive leadership.

Mr Kazuo Aichi, another Japan Renewal member, said: "Policies should be decided openly by political debate, not in ministries. Politicians should make decisions, set priorities and then the bureaucrats should carry them out."

There are few finer symbols of the system tbe reformers say they want to overhaul than Mr Miyazawa, a cautious former civil servant turned politician. They have poured scorn on his record and ridiculed his failure to introduce reforms.

Yet as a lame duck, at the end of his career, he was suddenly freed last week from the inhibiting customs and practices with which he has lived. As a result he was able to take a decisive political initiative wbicb would have been unthinkable a month ago when he was nominally the most powerful man in the country. In perhaps his final act as prime minister, Mr Miyazawa may have set an example of decisiveness which the reformers will struggle to match.

The chancellor's dilemma: an inside view

The hole in our pocket

The Treasury expects to borrow £50bn this year. Yet only three years ago, in his March 1990 Budget, then-Chancellor Major expected a balanced budget for 1993-94 after giving away £3bn in tax cuts.

What has caused this rapid deterioration in the public finances and can it be reversed?

Some blame excessive public spending ahead of the election. On this view, the deficit will not be cured until what was given away then is clawed back by further spending cuts.

Others claim the main problem is the recession, which pushes up social security payments irresistibly while reducing tax receipts. On this view, much of the deficit will melt away as the recovery gathers strength.

A third factor, less widely recognised, is an unexpected erosion of tax revenues because of policy changes, such as the introduction of independent taxation, new tax breaks for savings, and generous carry-back of losses for corporation tax.

There is a lively debate among forecasters – including the Seven Wise Men and the OECD – about the respective importance of these factors, on which their policy recommendations depend. If the deficit is mainly due to the recession, it will disappear in the upturn. If not, action must be taken to correct it.

Unfortunately, you can only quantify the effect of the recession by comparing the actual outturn with a hypothetical no-recession scenario.

That gets you straight into the world of economic models, the debate about the underlying growth rate of the economy, and the extent to which output is currently below trend. Economists differ sharply on these issues and about the effect of output on tax and spending.

To avoid these problems, we can adopt a much simpler approach, which is to compare the latest official revenue and spending projections for 1993-94 with those made in March 1990. That date was the last occasion on which the government's fiscal plans showed the economy still on course for a balanced budget in the medium term.

The comparison shows how much of the extra borrowing is due to extra spending and how much reflects lost tax revenue. We can roughly quantify the effect of the recession on tax revenues, even though we do not know the size of the output gap, because we do know that we have lost nearly 5 per cent of output compared with earlier plans. Since tax revenue depends, other things being equal, on the level of output, that implies a 5 per cent loss of revenue, worth some £11bn.

> **Compared with its March 1990 plans, the government will have £110bn of extra debt by the end of this year**

The remaining £13bn of lost revenue must be attributed to tax changes that were not forecast in 1990.

On the spending side, we know that the social security budget bears the brunt of the recession. If we assume that *all* the extra social security spending (compared with previous plans) is due to the recession, we get a rough idea of how much of the extra spending is recession-induced.

We find that planned social security spending for 1993-94 has been revised upwards by £11bn since 1990. (Although the published 1990 spending plans do not include a breakdown by spending department beyond 1992-93, we can use the rate of growth of social security spending published in the 1991 plans to fill in the missing number.)

Since total public spending has been revised upwards by no less than £30bn, it is tempting to conclude that discretionary spending must have risen by £19bn. However, this ignores a very important item of unavoidable spending: the interest charges on past borrowing.

When public borrowing goes up, whether because of recession or because of extra discretionary spending, debt interest charges also rise. The deterioration in the public finances has brought about a sharp rise in the government's outstanding debt, and hence in the interest accruing on it.

Strictly speaking, some of that increase should be scored as discretionary, since it is past spending decisions as much as the recession that have pusbed up today's debt interest bill. On the other hand, the government has no discretion about paying the bill today. When debt interest charges go up, it is an irresistible claim on the public purse, just as it is when rising unemployment pusbes up social security claims.

Which brings us to the central issue. The whole point of trying to calculate how much of the rise in borrowing has been due to the recession is to estimate how much will be automatically reversed by economic recovery.

In this context, it is immaterial *why* the extra debt interest charges have arisen. The point is they are an extra charge on the public purse which is both irresistible and, unlike social security spending, irreversible. Compared with its March 1990 plans, the government will have £110bn of extra debt by the end of this year. At today's interest rates, that is some £8bn of extra public spending on debt interest charges.

These calculations, summarised below, are intended to cast light on two issues: how we got into this mess; and how we might get out of it.

The figures suggest that our problems are two-fifths due to the recession, one-fifth due to extra discretionary spending and one-fifth due to missing tax revenue. The missing-fifth is the combined effect of all these factors on the debt interest bill.

Getting the public finances back to the healthy state shown in the 1990 plans requires some £11bn of spending cuts and £13bn of tax increases. But even that would not eliminate the residue of debt interest charges resulting from a permanently higher national debt. Nor is it by any means certain that all the recession-induced social security spending will simply disappear in the upturn. The social security budget has tended to ratchet upwards in the past, leaping ahead in recessions bnt not *falling* back in the subsequent recovery.

In the first Budget of 1993, Mr Norman Lamont proposed tax increases which will raise an extra £10bn of revenue by 1995-96. Mr Clarke has hinted *that he may do more in the* November Bndget. So the problem of revenue shortfall is being addressed. However, it cannot be right to tackle a deficit which is partly caused by excessive spending simply by raising taxes. Action is also needed on the spending side. Yet none has so far been proposed. Why not? I shall try to explain next week.

How and why borrowing has changed

Changes in Plans for 1993-4 between 1990 and 1993 (£bn)

Due to	Recession	Other factors	Total
Revenue	-11	-13	-24
Spending	11	19	30

Bill Robinson

The author is former director of the Institute for Fiscal Studies and was special adviser to the former chancellor, Mr Norman Lamont.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Experience of crime

From Mr Len Bishop.

Sir, I represent the electoral division of Kent County Council in which the Police Authority HQ is located. Immediately adjacent to it are two large estates, both of which suffer from serious deprivation and, not unconnected, petty crime.

While home secretary Michael Howard was no doubt right when he told the Association of Chief Police Officers that farmers, bead teachers and shopkeepers all knew something about crime ("Howard rejects criticism of police anthority reform", July 9), I am certain crime and fear of crime are more likely to be part of the sveryday experience of my constituents than of the groups he names.

However, I doubt that his proposed reforms will lead to any of my constituents being asked to make the short walk up the road to join the Kent Police Anthority to share their experiences with Mr Howard's political appointee friends.

Len Bishop,
Kent County Council,
County Hall,
Maidstone, Kent ME14 1XQ

Break with model habit will improve forecasting results

From Prof Paul Ormerod.

Sir, The interchange between Professors David Currie and Tim Congdon in your letters columns (July 8 and 2 respectively) about forecasting records points to an important conclusion.

There are many nuances within the body of orthodox macroeconomics which are the subject of legitimate disagreement. Both the particular discussion between David Currie and Tim Congdon and tbe more general flurries of argument between the Seven Wise Men who advise the Treasury illustrate this point.

But whatever approacb is used, whatever the particular emphasis given to this or that point of theory, the forecasting record of the models is poor.

David Currie makes tbe point very clearly wben he writes: "Differences between individual predictions are typically small compared with forecasting mistakes."

The poor short-term forecasting record of these models has persisted since their inception in the UK some two decades ago. Similar problems exist with similar models in other countries.

On any normal scientific criterion, the conclusion would be drawn that conventional macro-economics, whetber Keynesian or monetarist, does not offer an adequate description of the behaviour of developed economies.

It is difficult, both psychologically and intellectually, to set aside a conventional paradigm. But as a former macro-modeller myself, I have come to the view that it is possible. And it is also necessary, for until economists are prepared to do this and to investigate alternative metbodologies, their ability to understand the world will not improve.

Paul Ormerod,
35 The Avenue,
Kew,
Richmond,
Surrey TW9 2AL

Relatively imprecise about kin

From Mr Helmut Kulitz.

Sir, I've read with satisfaction and joy that Donald Duck and his kin – plus a *certain* mouse called Mickey – have returned to Chinese news stands. That's good news. However, I'd like to call your attention to a number of imprecisions ("Mickey Mouse squeaks back into Beijing on best behaviour", international and early UK editions):

1. Donald Duck does not have "exuberant offspring" because, of course, Hughie, Dewey and Louie are his nepbews, not his sons. They were sent to Mr Duck by a certain cousin Della in 1937.

2. You call Mr McDuck, the money-worshipping arch-capitalist, "Dagobert" by first name. In fact, his name is Scrooge McDuck, while "Dagobert" is the Christian name chosen for the German edition. I don't think that you, even as a *leading* paper in economic and financial affairs, will get invited to Mr McDuck's billionaires' parties if you continue to use his name wrongly.

3. You mention Mr McDuck's "habit of bathing in piles of dollar bills". This is not entirely correct. Mr McDuck does in fact swim in heaps of money (three cubic hectares, to be precise). However, he relishes coins as much as or more than bills. Allow me to draw your attention to "Only a poor old man" (1952): "And I like to dive around in my money like a porpoise! And burrow through it like a gopher! And toss it up and let it hit me on the head!" All this would be very difficult if he had nothing but dollar bills.

Helmut Kulitz,
Gudenauer Weg 134-136,
63127 Bonn, Germany

Flaws in argument on wage checks

From Mr Ivan K Cohen.

Sir, Peter Ingram (Personal View: "Give shareholders more power over pay", July 8) suggests thet one way of providing a greater check on wage inflation is through greater control being exerted by shareholders, particularly the large institutional shareholders. While greater shareholder activism is to be encouraged in general, Mr Ingram's argument is flawed by failing to recognise the full chain of responsibility. Institutional sbareholders, especially the pension funds, are responsible in turn to those on whose behalf they manage these large asset holdings. In most cases, these are the very people Mr Ingram suggests should bave tbeir wage increases checked by institutional shareholders. While it is true that fund managers are not as accountable as might be optimal, any wage increases that do occur will usually result in a greater inflow of contributions to the institutional shareholders. Mr Ingram must be a microeconomist, as his arguments fail to acknowledge the whole panorama.

Besides, if we need to address the "problem of wage growth outstripping productivity" we would be better served by concentrating on the productivity sids of the issue.

Ivan K Cohen,
lecturer in finance,
The Management School,
Imperial College,
53 Prince's Gate,
Exhibition Road,
London SW7 2PG

Changes that threaten employment prospects of disabled

From Dr Stephen Duckworth.

Sir, David Hunt, secretary for employment, has announced proposed changes to special schemes for disabled people in employment ("Grants to employers on disabled to be balved", June 26). This signalled an end to the Disabled Person's (1944) Employment Act. The fact that people qualifying for special scbemes will not under the proposals need to be registered – which they currently are under the act – implies the "qnota" requiring 3 per cent of a workforce to be registered disabled peopls is dead. Does this indicate ths government's intention to introduce new laws to protect the rights of disabled people?

Other proposed changes have not been tbought through. Currently, disabled people who need extra equipment or services to work receive them with no additional cost to the employer. After April 1994, employers will be required to pay 50 per cent. This may be acceptable to large companies but what about self-employed people and small companies which have just survived the recession?

My company employs five people and has eigbt associates; all but ons are highly qualified, skilful disabled people. The other is severely able-bodied. What will I tell them if these proposals put me out of business?

Stephen Duckworth,
Disability Matters,
Berkeley House,
West Tytherley, Wilts

هكذا أصل الأصل

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday July 13 1993

Brinkmanship in Baghdad

IF NOTHING else, President Saddam Hussein is consistent. Since the invasion of Kuwait nearly three years ago, the Iraqi leader has persistently refused to obey UN Security Council resolutions. Time and again he has challenged the authority of the world body. On occasion defiance has been a prelude to retreat but, when he has proved inflexible, the Gulf war allies have had, jointly or individually, to consider a military response.

The justification for such a response under international law needs to be fully demonstrable, because it is vital to act under the authority of the UN and to maintain, so far as possible, the political cohesion of the international alliance which was created to force Iraq out of Kuwait. That legality and political cohesion were stretched beyond the limit by the US missile strike on Iraqi intelligence headquarters in Baghdad last month. The attack, in retaliation for an alleged plot to assassinate former President George Bush, was justified by Washington under a country's right of defence provided for by Article 51 of the UN Charter. Several of America's allies expressed no more than "understanding" for the raid. Others were deeply sceptical about the reasoning behind it, sensing that it owed more to President Clinton's domestic difficulties.

There should be fewer doubts at the UN or in Baghdad about the consequences of the latest confrontation with the Iraqi leader. As part of its programme to deny Iraq weapons of mass destruction, UN teams have sought to install cameras at two missile testing sites south-west of the capital. Although, under the terms of the ceasefire resolutions, Iraq was permitted to retain missiles with a range of less than 90 miles, UN officials rightly suspect that Iraq would use its test facilities to develop weapons with a longer range. They want to make sure that Iraq has no such opportunity.

Iraq argues that by installing cameras the UN would be violating its sovereignty and this action could be used subsequently as a pretext for shutting down other factories used for industrial purposes. Neither argument carries weight and by refusing to allow the remote-control cameras to be introduced, Iraq only deepens suspicions about its intentions.

Unlike the American missile attack last month, the present confrontation is limited to two sites and one issue. The buildings housing the Iraqi test facilities are clearly grouped and the Iraqis know precisely what is required of them. The permanent members of the Security Council might reasonably argue that Saturday's refusal by Iraq even to allow inspectors to seal the missile sites while negotiations continued provided justification enough for military action.

Even so, they must be mindful of the need to explain and justify. Once that is done, the responsibility of any subsequent military action belongs to Saddam Hussein. He must learn to expect consistency from the UN.

Private pensions

SHOULD Britain's state pensions be privatised?

If Mr Frank Field, the backbench Labour MP, did not already know how sensitive raising this topic would be, he found out at the weekend. The Labour leadership immediately dismissed him as a maverick for proposing radical reforms. Even Mr Peter Lilley, the Conservative social security secretary, has not dared to question the state pension openly in his current review of the welfare state, though he did welcome Mr Field's contribution to the debate.

Mr Field is to be congratulated for airing the issue for three reasons. First, the state pension is already below the poverty line and will become increasingly inadequate as a basis for retirement since it is increased in line with inflation rather than earnings. Second, the growth of occupational pensions and other forms of savings means it is no longer necessary for the state to provide pensions for all to combat poverty in old age. Third, providing state pensions to all in the long run is probably unsustainable. The current cost of over £30bn a year will rise inexorably as the population ages.

Although this demographic time-bomb will not explode until early next century, that is no excuse for putting off decisions. Since pensions schemes cannot be reformed quickly, the sooner politicians debate alternatives the better.

Any reform would, of course, face serious hurdles. The biggest would be to find ways to encourage people to take out private pensions while at the same time protecting those who were too poor to save for their old age.

Mr Field's solution is to make private provision compulsory and for the government to contribute to the private pensions of those not in work. Another solution could be to bribe people to opt-out of the state scheme by reducing their National Insurance Contributions – the approach taken by the government when it decided to phase-out the state earnings related pensions scheme in the mid-1980s.

The main drawback with both approaches is that they could cost the exchequer large sums of money in the short-run, with the full savings accruing only after several decades.

A cheaper option would to announce that the state pension would gradually wither on the vine. Such an approach would rely on people receiving a sufficient motivation to save for their pensions from the generous tax-reliefs that are available. Those who still did not save enough for a minimum retirement income would be protected by a means-tested safety net.

There may be other, more attractive alternatives. But they will not be devised and get the public hearing they need unless there is a full and open debate on the subject. That debate should not be left to a few brave souls like Mr Field. Front-bench politicians must join in.

US-Japan trade

"WE AGREE," declared last week's communiqué from the summit of the seven leading industrial countries "that no recourse should be made to initiatives and arrangements that threaten to undermine the multilateral, open trading system." After uttering these fine words, the US and Japanese governments promptly announced agreement on a new "negotiating framework" to resolve the bilateral issues that divide them. Communiqués are often ignored, but their promises usually last more than a few hours.

The framework does not, at least so far, either establish quantitative goals for changes in Japanese macro-economic policy or lay down precise criteria by which the opening of the Japanese economy can be assessed. The two agreed aims are simply a reduction in Japan's current account surplus and the opening of markets.

Talks on the latter are to be subdivided further into Japanese public procurement, particularly of foreign computers, supercomputers, satellites, medical technology and telecommunications; regulatory reform, which covers financial services, insurance, the distribution network and competition policy; "other major sectors", particularly cars and car parts; economic harmonisation, including intellectual property; and the monitoring of agreements.

One question is whether the objectives make sense. The answer is that they do so only up to a point. Faster growth in Japanese demand is desirable, for example, but a smaller external surplus may well not be.

A second question is whether the "objective criteria" the Japanese have proposed as a way of assessing the openness of their markets will turn into precise target, or not. Probably they will. Results-oriented trade would then become managed trade.

A final question is whether these proposals are consistent with the summit's declaration in favour of multilateralism. They are not, in at least three respects: first, participants other than the US and Japan have been excluded; second, the discussion is being conducted outside the purview of the Gatt; finally, the agenda is dictated by specific US concerns.

Many in the US believe that their concerns are more legitimate than those of other countries. They are mistaken. Judged by the ratio of their bilateral deficits to their total trade with Japan, many countries have a bigger problem, among them being Hong Kong, Taiwan and the European Community as a whole.

Other countries should address their own demands to Tokyo. The US and Japan would probably reply that they are not powerful enough for a seat at the table, which would at least confirm the emptiness of the summit's declaration in favour of multilateralism. But perhaps the two powers would feel obliged to agree. Then the discussion would involve all of Japan's trading partners, not just the US. This particular cartel needs to be broken right now.

The government has so far failed to attract private finance for public sector projects, says **John Willman**

No takers for the available tickets

The involvement of private capital in public sector projects could harness government and business together to build a new prosperity across Britain, Mr John Major told a Confederation of British Industry conference in May.

The prime minister was referring to the private finance initiative launched in last year's Autumn Statement, to encourage the use of private investment for public projects. Mr Norman Lamont, the then chancellor, said the initiative would mobilise the private sector "to meet needs which have traditionally been met only by the public sector".

Yet eight months after the Autumn Statement, the government has yet to announce a significant new public sector project which involves private finance. There is disenchantment among industrialists and financiers, who fear the initiative will run out of steam unless there is some early progress.

The Autumn Statement promised several measures to encourage greater use of private finance for public projects:

- Joint ventures between the private and public sector were to be encouraged, with the government offering concessionary loans, equity participation and transfer of assets.
- The Treasury would relax its accounting rules for leasing to allow greater use of long-term leases. The private sector could then lease expensive equipment to the health service, for example.
- Financially free-standing projects that could cover costs by charging users would be allowed, even though they could in theory be financed more cheaply in the public sector. (In most cases, such projects would, in practice, be unlikely to go ahead because of Treasury restrictions on public borrowing.) such as

There have been attempts to present projects such as the Heathrow Express rail link as evidence of a new partnership between public and private sector. However, this joint venture between the British Airports Authority and British Rail was first mooted in 1988, long before last year's Autumn Statement.

The environment department's contribution to the private finance initiative has been to publish a list of urban development schemes seeking private sector partners. These are similar to dozens of other inner-city regeneration schemes in which public sector funds are used to prime the pump for private sector development. Building business parks and housing estates is hardly meeting "needs which have traditionally been met only by the public sector".

And the Department of Health has relaxed the rules on leasing capital equipment in the health service.

But requirements that the Treasury scrutinise half of all leases worth between £1m and £10m leave the rules too inflexible to attract the private sector, according to Mr Peter Jacobs, chief executive of Bupa, Britain's biggest private healthcare group. The initiative is likely to collapse "if the private sector keeps facing blockages", Mr Jacobs warns.

Mr Howard Davies, director-general of the CBI, said recently the whole initiative would be discredited "unless real holes can be dug in the ground pretty soon".

Business people interested in the initiative complain that the Treasury is itself uncertain about the sort of contribution the private sector could make.

According to one banker who has been involved in several infrastructure projects: "The government does not understand how the private sector operates, what it'a looking for in an investment project and how to ettract investors."

An executive involved in the leasing business says that "the Treasury still has a lot to learn. Its paper on leasing and risk transfer showed that they do not understand how the industry works." The transfer of risk from the public to privete aectors has been at tbe heart of the difficulties in making the private finance initiative work. The Treasury insists that a privata sector company which builds a toll bridge, for example, must bear the risk that tolls might be insufficient to cover the costs. If the government accepts responsibility for bailing out the company, the project counts as public expenditure under UK public accounting rules. The Treasury's main – and understandable – concern is that raising private finance to fund public expenditure sbould not be a form of additional government borrowing.

The Treasury accepts that there should be some sharing of risk in joint ventures. Its guidance for departments says that the legal agreements should set out in "specific and clear terms ... so that the risk which each party undertakes properly reflects a clearly agreed structure of risk and reward".

But the more the risk is transferred out of the public sector, the higher the return the private sector expects to earn. Keen though it is to see the initiative succeed, the Treasury is uncomfortable with the idea of putting sufficient public money into joint ventures to allow the private sector partner to earn a return on capital of 20 per cent or more.

There are also disagreements over what sort of risks it is fair to transfer to the private sector. The Treasury expects government departments to demand the maximum transfer of risk to private sector partners: the partners are concerned to minimise the risk as far as possible to those factors under their control.

In transport projects, for example, the private sector should be expected to take risks associated with design efficiency, cost and time overruns during the construction phase, and the efficiency of operations, according to Mr Peter Foy, senior partner at McKinsey, the management consultants.

In his role as chairman of the transport group of London First, a business organisation set up to tackle London's problems, Mr Foy has identified a number of risks that the group believes the government needs to assume in joint transport ventures. These include responsibility for losses caused by planning delays, changes in design of the project imposed by public bodies and delays in getting legislative approval.

"Taking responsibility for these types of risk, which are clearly not within the control of the private sector, would be unacceptable to shareholders," he says.

In between these two extremes lie grey areas, says Mr Foy, where the government needs to help private sector operators manage revenue risks, perhaps by guaranteeing a minimum income (and maybe sharing in excess profits). It is in such areas that the greatest difficulties have been encountered in forming joint ventures in which the Treasury can be satisfied that risk has been substantially transferred to the private sector.

A second significant obstacle to private and public sector partnerships is the Treasury requirement for competition for public sector contracts. This is a long-standing requirement in public sector contracts as a means of ensuring value for money, and fair competition.

However, the requirement can be a disincentive to companies coming up with new or innovative proposals which, once adopted, must then go out to competitive tender for implementation. A company which invests its own money in devising a project could then find that a competitor wins the contract to build it.

The government has promised to look into the intellectual property rights of project proposals, so that the companies which develop them can be paid for their efforts.

A better solution, according to one banker who is keen to participate in joint ventures, would be for the government to make early progress on creating a stream of joint projects which the private sector can bid for.

"If there are several similar projects coming up, companies will be prepared to invest in a bid on the basis that they will win a contract sooner or later," he says. "But with one-offs or occasional contracts, they are less willing to risk their capital."

And that is the nub of the government's problem in convincing the private sector that it is serious about the private finance initiative. Unless it can launch some joint venture projects soon, private partners will become increasingly sceptical about its intentions. Dispelling the growing scepticism requires early progress if the initiative is to succeed.

Estonia draws up reformers' blueprint

PERSONAL VIEW

Estonia has assumed the pioneer position among the post-Soviet republics in implementing political and economic reforms. This is due to a large extent to the political consensus among its citizens about the concept and pace of reforms, as well as the determination of its current leadership to carry them out. These reforms, started in 1989, were much accelerated after the country regained its independence following the attempted Moscow coup of 1991.

A new democratic constitution was adopted in June 1992 and free parliamentary elections were held in September. This resulted in the formation of the majority centre-right coalition government. In order to isolate itself from the economic chaos and inflation plaguing Russia and other post-Soviet republics, Estonia introduced in 1992 its own currency, the kroon, pegged to the German D-Mark, and a stabilisation programme. This was a great success. However, a severe drop in industrial production caused by disruptions in inter-republic trade is threatening to overwhelm the Estonian economy with bankruptcies and unemployment.

To deal with the issue, the Estonian government has made restructuring and privatisation of state-owned enterprises its main task. So far, progress in privatising large enterprises has been slow, about 30 per cent of services and small enterprises have already been auctioned.

This spring, the Estonian government elaborated and then adopted in June a new, comprehensive law to integrate and simplify privatisation. The re-establishment of independence was legitimised by claiming continuity with the prewar Republic of Estonia. In privatisation, this has meant a policy based on restitution of property lost in 1940 after the country was incorporated into the Soviet Union and on compensation for exploitation by the Soviets.

To carry out the programme, an elaborate system of vouchers was instigated. The restitution scheme attracted more than 300,000 claims, of which about 15 per cent have been resolved. Where it has been impractical to return property in kind, compensation vouchers are issued to claimants. In addition, "work contribution" vouchers are given out, based on years of work in Estonia between 1945 and 1991. These are interchangeable and can be used in the privatisation of housing, land, collective farm implements and state-owned enterprises, or redeemed for shares in the common pension fund.

The government has made restructuring and privatisation of state enterprises its main task

While the voucher system has been implemented, commercial sales of property are proceeding on a pilot basis, with the Estonian Privatisation Agency having already sold 30 large, state-owned enterprises. This success bodes well for Estonia because of the interest shown by foreign, mainly Scandinavian and German, investors.

The aim of the new privatisation law is twofold. The first is to spell out the principles for the integration of these two aspects of privatisation policy: the use of citizen vouchers and commercial sales. A small percentage of shares, determined individually for each company, will be reserved for sale in exchange for citizen vouchers. The majority of shares will be sold for cash to strategic investors, in the tender for sale of 52 state-owned enterprises, announced in May.

The second major issue of this law is the creation of the State Property Agency. This will combine separate small and large enterprise privatisation operations and include a restructuring unit which will assume authority over all state enterprises and direct efforts to prepare them for privatisation.

Separate laws deal with the privatisation of housing, and of collective farms, three-quarters of which have been dismantled on the basis of resolved restitution claims or leases based on anticipated restitution. Another law creates a compensation fund, the shares of which can be obtained for vouchers. These laws create the legislative framework for privatisation and hopes are high for rapid progress.

Estonia is ahead, not only of the post-Soviet republics but also of some east European countries, in its efforts to build a democratic society and a free market economy. It has a democratic consensus on the direction of its reforms, a legitimate government, a sound currency, and a credible economic transformation and privatisation programme that aptly balances the needs of foreign investors with the desire for participation and a sense of justice of the local population. Fulfilment of its demonstrated promise could serve as a model to others in the former Soviet Union who have to travel the difficult and uncertain road of return from the communist system.

Dr Lucja Swiatkowski Cannon

The author was between March and May 1993 an adviser on privatisation to Liia Hanni, Estonia's deputy prime minister

OBSERVER

A family affair

■ One person seems to have been overlooked in all the gossip about who will take over the presidency of the European bank for Reconstruction and Development. Jacques de Larosière, governor of the Bank of France, may be the natural front runner in the eyes of the French government. But getting the nod from Madame de Larosière may be a different matter.

De Larosière – dne to retire from the Bank of France at the age of 65 next year – would certainly have the gravitas Attali lacked, but his wife may have other ideas. The owner of a châtean in Picardy, she played a strong rote in persuading her busband to return to France in 1987 from his post in Washington as IMF managing director – a job he swapped with his countryman Michel Camdessus.

However, central bankers do soldier on, so it would be surprising if de Larosière did not accept the London-based job, if offerred. In which case expect Jean Claude Trichet, top man at the French Treasury, to get the Bank of France job.

Youf-ful

■ Calling all bemp-exporters whose clever mothers are distant cousins of the US vice-president and who play a risky game of outdoor lacrosse while wearing pink denim shorts - have we got news for you.

That estimable US trade publication Adweek, which keeps Observer's finger on the enfeebled pulse of the advertising industry, suggests you are excellently set up to endure the next recession. But why, well may you ask.

In its latest issue is a list of current youth crazes, as identified by consultants BKG Youth Inc. They include Al Gore, capital punishment, mothers, intelligence, the environment, taking big risks, lacrosse and coloured denims.

Artistic licence

■ Dyed-in-the-wool opponents of the Channel Tunnel will be happy to hear that there will soon be one less reason to use it.

From September it will no looger be necessary to cross into former enemy territory to inspect the Bayeux tapestry because a rather good replica resides much closer to home in Reading.

The soon to-be-reopened Museum of Reading is planning to show off a 230ft Victorian replica of the famous eleventh-century tapestry recording William the Conqueror's invasion of England in 1066. The replica, presented to Reading a century ago by a patriotic alderman, is said to be a remarkably good copy.

However, it suffers from one defect. The Victorian embroideresses made the naked male warrior put on a pair of trunks, and an overly-endowed stallion was cut down to size and appears as a gelding.

If you want to see all the naughty bits, a trip across the channel will still be necessary.

'I can't wait to get home to my gun collection'

Reverse charges

■ While police chiefs may prove easy pickings wben it comes to stealing mobile telepbones, travelling locksmiths can be a tougher prospect.

Witness the one who had his phooe nicked soon after being set up in business by the Prince's Youth Business Trust.

Distranght at the loss, whicb cut him off from his main source of orders, he used another phone to get through to his own number and begged for the return of the instrument, offering £50 and no questions asked. The line went dead.

But his wife had an idea. She called the number, asked tha man who answered if he was a locksmith, then on being told "yes" said she'd lost the key to her flat and would he come and help. After bidding the price up to £65, the man agreed.

When he arrived, the waiting police posse took him off to the lock-up.

Gone missing?

■ It'a hard to believe, but it sounds as if something rather important may be missing from the new Battle of Britain memorial atop the white cliffs of Dover.

The granite statue of a young pilot, which was unveiled last Friday with a minimum of publicity by the Queen Mother, is meant to be a permanent tribute to those who served in the most famous air battle of the Second World War.

Although it has taken some time to raise the money, there is no shortage of big names on the Battle of Britain memorial trust notepaper. Robin Leigh-Pemberton, who stepped down as governor of the Bank of England at the start of the month, is patron, air chief marshall Sir Christopher Foxley-Norris is president, and the trustees include defence minister Jonathan Aitken and Lord Tebbitt, a former chairman of the Conservative Party.

Hence it could be rather embarrassing for all involved if a couple of famous names really have gone missing. According to one old airman who attended the ceremony, squadron leader Boleslaw Drobinski, the badges of the 302 and 303 Polish squadrons are not among the 66 squadrons which decorate the memorial. The 303 squadron, which Drobinski commanded, was probably the most famous of all foreign squadrons serving with the RAF.

Hard to believe that such a high-falutin' lot could have committed quite sucb a resounding faux-pas.

Neighbours

■ "Is Charlie in?" asked tbe morning caller as the door was opened to him by a sad-faced woman. "You mustn't have beard," she faltered. "Soon after be came in from the pub last night, he collapsed and died."

The visitor ataggered. "I'm terribly sorry," he said. "Were you with him when it happened?" The widow nodded.

"Well, did be say anything about lending me a tin of red paint?"

FINANCIAL TIMES
Tuesday July 13 1993

EC finance ministers promise tough action on public spending

By Lionel Barber in Brussels

EUROPEAN Community finance ministers yesterday pledged to take tough action to resolve the crisis in public finances among member states, and accepted that tax rises may be required to restore budgetary stability.

In response to a series of grim warnings from EC central bank governors from the 12 member states, ministers agreed that spending cuts alone may not be enough to reduce public borrowing, which has soared as a result of the recession.

Latest estimates by the European Commission, show that the aggregate public sector deficit as a proportion of Community gross domestic product is likely to rise to more than 6 per cent this year – the highest level recorded in the 36-year history of the EC.

Despite mounting evidence of the fiscal crisis facing EC member states, ministers insisted they would stick to the strict targets for economic and monetary union laid down by the Maastricht treaty, including a commitment to reduce individual budget deficits to 3 per cent of gross domestic product.

Mr Philippe Maystadt, Belgian finance minister who chaired the meeting, said governments had "precious little lee-way" for relaxing budget deficits to offset the effects of the recession. That would be shortsighted, he said.

Mr Kenneth Clarke, UK chancellor of the exchequer, said Britain remained committed to the Maastricht targets. He left open the possibility of tax rises in the November budget to reduce the UK's £50bn deficit.

During their meeting yesterday, ministers gave Mr Clarke a relatively gentle ride when discussing the UK's "convergence plan" – the forecasts for meeting the Maastricht criteria for Emu.

Ministers described the UK plan as "ambitious" but "based on realistic assumptions". A more vigorous budgetary adjustment might be necessary, especially in the short term, if the pace of economic recovery proved slower than expected. Two weeks ago, Treasury officials from member states meeting in the EC's monetary committee had asked pointed questions as to whether the UK was overestimating the impact of future economic growth on cutting the deficit.

Mr Clarke said the UK's forecasts contained tougher targets on spending than convergence plans submitted by other member states. He also noted the UK was likely to grow faster than major EC competitors in 1993 and 1994.

The meeting was overshadowed by warnings from EC central bank governors and the EC's economic policy committee about the fiscal crisis in the EC.

In a submission to EC finance ministers, the central bankers said: "Concern about the present state of public finances is particularly warranted since the rise in budget deficits over the last few years cannot simply be ascribed to the cyclical downturn. They also reflect to a significant extent structural factors which have been adding to imbalances since 1989."

Signalling agreement, finance ministers stressed that structural measures to correct budgetary imbalances were essential so as to return the EC to higher growth and to create new jobs.

Community ministers build on summit growth initiative, Page 2

After tourists pay £45 for a £7 theatre seat, agencies must tell face value

UK to clamp down on ticket resales

By Antony Thorncroft in London

THE BRITISH government is to clamp down on ticket agencies which exploit London theatregoers, especially tourists. Some unwary visitors have ended up paying £45 ($66) for a £7 balcony seat at *Miss Saigon*.

Resellers of tickets for theatres, concerts and similar events will be forced to tell the customer the standard of the seat being offered, including its face value.

Baroness Denton, Britain's consumer affairs minister, said yesterday: "Unless they buy directly from the box office, consumers can often pay £50 or more for a ticket whose face value is much lower, say £6." She added: "People may not find this out until they collect the ticket just before the performance."

Ms Susan Whiddington, development officer of the Society of West End Theatre, said: "This is the best news we could possibly have". Her organisation receives up to 30 complaints a week from disgruntled tourists.

The new legislation is not aimed specifically at touts (or scalpers) who sell tickets in the street. The main problem is the 130 or so ticket agencies that have sprung up throughout the West End theatre district and which have an aura of respectability. They extract exorbitant sums from theatregoers, give them a voucher and then arrange for a low-price ticket to be collected at the theatre.

The agencies often discover when visitors are leaving London and arrange for a ticket for the performance on the evening before departure, thus reducing the opportunity for redress.

Although most of the trade is in tickets for the handful of popular, sold out shows like *Phantom of the Opera* and *Crazy for You*, the agencies also take advantage of visitors' ignorance by selling them tickets for plays that are easy to get into.

One recent complaint came from an out-of-town holidaymaker who paid £25 for a £14 ticket for *The Mousetrap*, which has been running for more than 40 years.

The great majority of the 50 theatres in the West End have tickets readily available for most weekday performances this summer. The recession has reduced audiences by 3 per cent from last year. Half-price tickets to some shows are sold from an official booth in Leicester Square, and other two-for-one schemes exist.

But the agencies, and the touts, will expect a bonanza from the opening last night of the latest Sir Andrew Lloyd Webber musical *Sunset Boulevard*.

Although Sir Andrew tried to limit the opportunities for the touts to get their hands on tickets by restricting access to the box office at the Adelphi Theatre, and to just one agency, Ticket Master, touts have been observed queueing for the six tickets available to each purchaser and then changing clothes to join the line again for another six. A few top price tickets were being sold outside the theatre last night for £200 or more.

International arts guide, Page 11

Franc declines despite support

Continued from Page 1

out of the French currency.

"It is a D-Mark phenomenon" said Ms Marie Owens Thomsen, international economist at Midland Global Markets. "To avoid a crisis in the ERM we need a significant downward move in German interest rates," she said.

Economists in Paris were sanguine about the franc's prospects.

"We are in for a bumpy ride," said a currency expert at a French bank. "But the franc has withstood several crises and the government cannot afford to retreat on its commitment to the current ERM parity."

A survey carried out by Idea, the London-based financial information company, showed that expectations for the franc among European foreign exchange dealers were gloomy. On average, 40 per cent expect it to be devalued before the end of the year.

Israelis hold top-level talks with PLO

Continued from Page 1

in January repealed the law banning contacts between individual Israelis and PLO members. It is clear that a growing number of top Israeli politicians favour abandoning the taboo.

Last week a Labour MP named 11 members of Mr Rabin's 18-strong cabinet who, he said, were in favour of opening direct talks with the PLO to break the deadlock in the peace talks. It is widely believed that Mr Haim Ramon, the health minister and a moderate, telephoned Mr Arafat last week.

Israel Radio also said yesterday that Egyptian foreign ministry officials had said Israel had agreed in principle to change the terms of the peace process which excludes the PLO.

Mr Gad Ben-Ari, spokesman for Mr Rabin, said all the negotiations between "us and the Palestinians are and will be" within the framework of the peace talks.

However, Mr Dan Cohen, a Labour MP, said the PLO had told him that the contacts with the Israeli government were being undertaken through members of the Labour party. The MPs, he said, were acting in the grey area between official and unofficial contacts.

He said the talks focused on the "Gaza first" option – a proposal to hand over the occupied Gaza strip to an autonomous Palestinian authority as soon as possible and before any transfer of authority in the occupied West Bank.

The discussions also included human rights in the occupied territories and how to reach an agreement on a joint statement of principles setting out terms for Palestinian interim self-rule, he added.

Present negotiations between the Israelis and the Palestinian delegation to the talks remain stalled after their tenth and latest round in Washington.

Yassir Arafat: talks failed

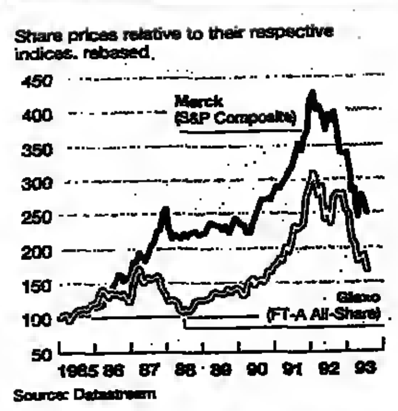
THE LEX COLUMN

Hard grind for Tomkins

Nine months after the acquisition of Ranks Hovis MacDougall, it is clearer than ever that the deal will make or break Tomkins' reputation. The trouble is the market has no firm feel which it will be, although a 5 per cent fall in Tomkins' share price yesterday, following a bout of underperformance, highlights its suspicions. If Tomkins can squeeze more value from RHM's stodgy dough than both confidence and a premium rating will be restored. That would enable the conglomerate to skip merrily on to new prey in a few years' time. With net cash of £120m at the year-end and the ability to milk yet more from its mature businesses, Tomkins should certainly have a strong launchpad.

Yet worries about RHM may continue to undermine Tomkins' rating. The paucity of detailed information about RHM's progress does little to dispel doubts. Tomkins appears to have successfully managed the tricky task of maintaining market share while cutting baking capacity by 7 per cent. Combined with a surprising rise in market volumes, this has helped bring the supply-demand balance closer to equilibrium. The shedding of 2,000 jobs will also bring significant cost benefits. Still, judging by its thin contribution to Tomkins' results, RHM had still not reached the bottom of its cycle when it was bought. RHM's shareholders must be smiling at their good fortune.

So far, Tomkins' response to the doubters has been: trust us. The company's fine financial record certainly commends it. But with Tomkins deriving little uplift from its existing businesses, the market is right to suspend judgment.



Source: Datastream

Merck

The uncanny symmetry between Merck and Glaxo continues to impress. The leading pharmaceutical companies in the US and Europe peaked against their local markets within a fortnight of each other in January 1992, after a bull run lasting the best part of a decade. Both shares have since fallen by 40 per cent. Now the unexpected resignation of Mr Richard Markham from Merck mirrors that of Mr Ernest Mario from Glaxo in March. Both were appointed over the heads of established candidates as heir apparent to a chairman approaching retirement. Their departure throws wide open the question of succession.

Without a full explanation, it is difficult to believe Mr Markham's decision to bow out owes nothing to issues of strategy. A spate of management changes elsewhere in the industry suggests more general pressures – the more aggressive attitude of governments on drugs prices being a case in point. Merck has so far made a reasonable fist of adapting to tougher conditions. Its joint venture with Johnson & Johnson in over-the-counter medicines dates from 1989, for example, while Glaxo has yet to announce its plans in this area.

That might explain the relaxed attitude of investors yesterday. But Merck has yet to prove that it can bargain successfully with bulk buyers of healthcare in the US. It remains to be seen whether the policy of discounting to defend market share introduced by Mr Markham is carried forward. Either way, Merck – like others in the industry – will remain under pressure to cut costs in the interest of earnings growth, even if that means management friction and the sacrifice of sacred cows.

MFI

MFI's board seems content to wring its hands and blame economic conditions for the poor profits figures it turned in yesterday. That looks a little thick since the management picked up £11m in bonuses for successfully floating the company after a few weeks of improved trading in 1992. Doubtless MFI's board has had to struggle with difficult trading conditions over the past five years. But then, so has everybody else. Perhaps the bonus was simply a reward for good timing.

MFI argues that devaluation had a disastrous impact on its business, yet interest rates are now four percentage points lower than at flotation and there are faint stirrings in the housing market. The dilapidated home improvement business would surely be a wasteland if sterling were still in the ERM and interest rates 10 per cent. The exit from the management buy-out thus leaves something of a nasty taste in the mouth.

There are also reasons to be sceptical about the company's much-vaunted operational gearing. Consumers may be moving house a little more frequently, but they are loath to spend money on high-margin kitchen units which cannot easily be moved with them. Those tax increases already announced will hit MFI's blue collar customer base particularly hard. The sag in sales and margins which followed pressure from other DIY retailers earlier this year is also worrying. Even the most optimistic profits estimates leave MFI at a 30 per cent premium to the market. On that basis the market's love affair with recovery stocks is surely overdone.

UK newspapers

Effective competition often involves doing what your competitors like least. On that basis, Mr Rupert Murdoch has delivered a dirty dig at Mirror Group Newspapers by launching a price war in the tabloid market. Just as MGN was beginning to recover its poise, it now faces the prospect of a long and bloody circulation war. Its knee-jerk response in cutting the Mirror's cover price to 10p for a day may have been an effective spoiler but hardly provides a sustainable long-term strategy. MGN's administrators now face a far trickier task in working out how to dispose of their 54 per cent holding.

The biggest loser, though, may be the Daily Star. The timing is especially unfortunate given its parent, United Newspapers, is already having a rocky ride persuading shareholders to back a £190m cash call. Nevertheless, the muted response of United's share price is understandable. The Daily Star is only a small part of United's business while its core middle market newspapers are likely to emerge unscathed.

As for News International, it can well afford the probable loss of £1m of revenue a week as it attempts to stimulate the Sun's flaccid sales. But past industry experience has shown that low prices are no substitute for editorial appeal.

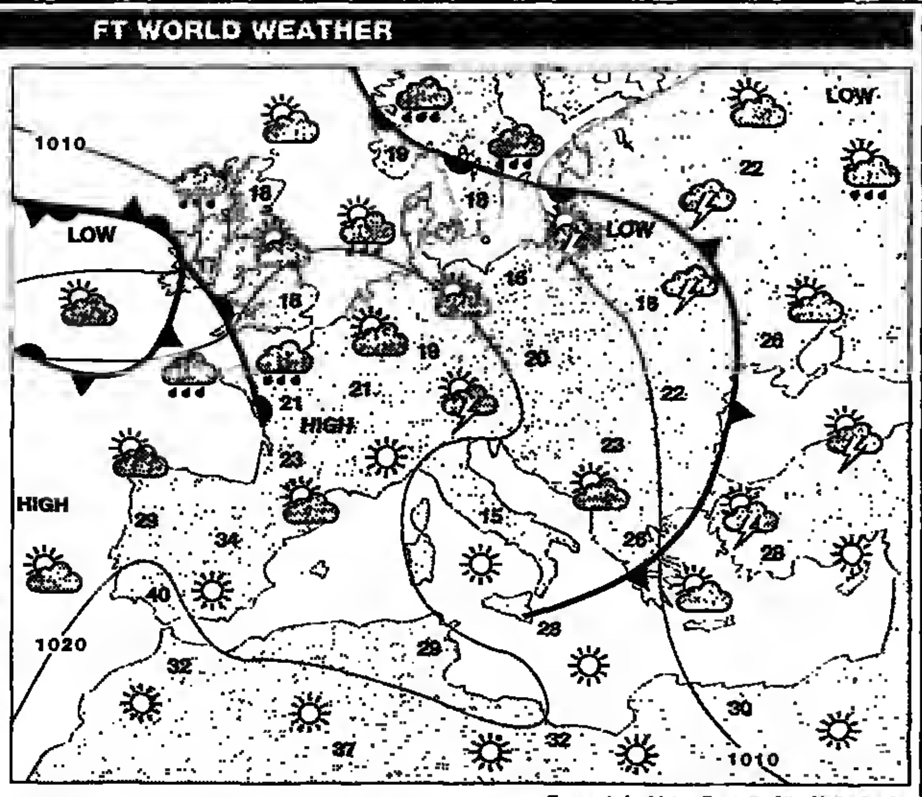
FT WORLD WEATHER

Europe today

High pressure will give sunny spells in France, Germany and the Low Countries. The northern Netherlands and Germany will have a few showers moving in from the North Sea. The cool air will keep the temperatures rather low for July. In France, temperatures will only rise to 20C-25C. A depression from the Atlantic will bring cloud and rain to Ireland. This will slowly move towards the Continent. As a result, north-west France will have some rain as well. A frontal zone over Greece will extend toward the Baltic States and southern Scandinavia and will produce several thunder showers over south-eastern and eastern Europe. Southern Norway and Sweden will have rain.

Five-day forecast

By tomorrow, rain will spread over the Low Countries and northern France. A new frontal disturbance from the Atlantic will reach the UK and by Friday a fair number of showers will fall over central Europe. Warm air over Scandinavia will give afternoon temperatures well above 20C. There will be bright spells, except in southern areas and Finland. A warming trend in southern Europe will cause afternoon temperatures to gradually rise to 30C-38C by Saturday.



TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

	Maximum Celsius	
Abu Dhabi	sun	44
Accra	thund	28
Algiers	sun	30
Amsterdam	fair	19
Athens	fair	31
Bangkok	fair	34
Barcelona	sun	25
Beijing	shower	33
Belfast	rain	18
Belgrade	thund	18
Berlin	fair	17
Bermuda	fair	30
Birmingham	drzzl	19
Bogota	fair	18
Bombay	drzzl	31
Bordeaux	fair	24
Brussels	fair	20
Budapest	fair	21
Buenos Aires	fair	12
Cairo	sun	40
Cape Town	shower	19
Caracas	fair	31
Chicago	thund	28
Cologne	fair	19
Copenhagen	cloudy	18
D' Salaam	fair	29
Dakar	fair	30
Dallas	sun	34
Darwin	fair	30
Delhi	fair	32
Dubai	sun	42
Dublin	rain	17
Dubrovnik	fair	26
Edinburgh	fair	19
Faro	sun	32
Frankfurt	fair	20
Geneva	fair	19
Glasgow	cloudy	15
Hamburg	shower	17
Helsinki	sun	21
Hong Kong	thund	31
Honolulu	fair	31
Isle of Man	rain	15
Istanbul	thund	26
Jersey	rain	15
Karachi	fair	38
Kuwait	sun	43
La Paz	fair	17
Las Palmas	fair	27
Lisbon	sun	34
London	fair	21
Los Angeles	hazy	28
Luxembourg	fair	19
Lyon	fair	21
Madeira	fair	26
Madrid	sun	35
Majorca	sun	29
Malta	sun	28
Manchester	drzzl	19
Manila	fair	33
Melbourne	drzzl	19
Mexico City	shower	21
Miami	fair	32
Milan	sun	23
Montreal	sun	25
Moscow	fair	21
Munich	fair	18
Nairobi	fair	22
Naples	sun	25
Nassau	shower	32
New York	fair	31
Nice	sun	24
Nicosia	sun	38
Oslo	cloudy	20
Paris	fair	21
Perth	shower	17
Prague	fair	17
R' de Janeiro	shower	24
Rangoon	cloudy	30
Reykjavik	fair	13
Riyadh	sun	40
Rome	sun	27
S' Francisco	fair	23
Seoul	rain	25
Singapore	cloudy	31
Stockholm	cloudy	22
Strasbourg	fair	21
Sydney	rain	15
Tel Aviv	sun	36
Tokyo	shower	29
Toronto	sun	28
Tunis	sun	29
Vancouver	shower	20
Venice	thund	22
Vienna	shower	19
Warsaw	fair	17
Washington	fair	33
Wellington	cloudy	8
Winnipeg	fair	22
Zurich	fair	18

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1993
Tuesday July 13 1993

INSIDE

Another slice off the Apple
For the third month in a row, Apple Computer lowered the US prices of several of its personal computer products as it struggled to maintain sales momentum amid an industry-wide price war. Page 18

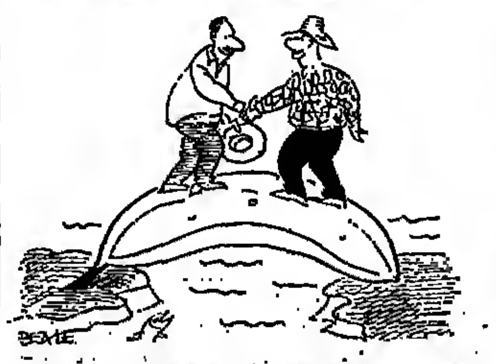
More records for Fannie Mae
The Federal National Mortgage Association (Fannie Mae) reported record second-quarter profits of $458.8m as the favourable domestic interest rate environment continued to provide a foundation for strong earnings growth. Page 18

Woolworths relist lifts market
Shares in Woolworths, the Australian retailer, issued at A$2.45 ($1.64), closed at A$2.81, pushing the Australian-stock market to its highest level since 1987. Page 19

On course for trouble
As the conflict between EIE International and its banks is played out against a background of a rising pile of non-performing property loans, the property developer's maverick president, Mr Harunori Takahashi, is golfing. Page 19

Avonmore adds milk
Avonmore Foods, has taken fifth place in the UK liquid milk market with the £20.5m ($30.75m) purchase of two dairies and 32 distribution depots from Dairy Crest, the milk and dairy products arm of the Milk Marketing Board. Page 23

Revamp works at Low & Bonar
Low & Bonar, the international packaging and materials group, reported pre-tax profits of £14.3m ($21.45m) for the six months to May 31, up 21 per cent from a year earlier. Page 23

Olive branch in banana row


Latin American banana producers have offered an olive branch to their Caribbean neighbours in an attempt to prevent the debate over access to the European Community market from becoming a banana war. Page 24

Germany powers world gains
Europe, up 2.4 per cent in local currency terms and excluding an unsettled UK market, took most of the credit for last week's 0.9 per cent gain in the FT-Actuaries World Index. Germany was the powerhouse with a climb of 5.4 per cent. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
AG Ind & Verk	542	+	15.5
Degussa	389	+	12
Lufthansa	126.8	+	4.5
Varta	310	+	18
Falls			
Heidelb Zem	1085	-	85
Industrie Werke	325	-	7.5

NEW YORK ($)

Rises			
Fed Nat Mtgage	85¾	+	1⅛
Home Shopping	13¼	+	⅝
QVC	67¾	+	2½
Falls			
Alcoa	70⅝	-	⅞
Ford Motor	50	-	2⅛
Merck	34½	-	¼

New York prices at 12:30.

PARIS (FFr)

Rises			
Fin Poliet	485.5	+	22.5
Lafarge Coppee	363	+	12.1
Orean	181	+	13.2
Falls			
Damart	3900	-	137
Eridania B-S CI	587	-	42
Thompson C S F	164.2	-	7.5

TOKYO (Yen)

Rises			
Hirose Electric	5030	+	130
Hitachi Koki	919	+	29
Kawasaki Kisen	382	+	11
Mitsui Toatsu	437	+	14
Falls			
Akebono Brake	598	-	24
Sanrio	2020	-	210

LONDON (Pence)

Rises			
AAF Inds	114	+	5
Amberley	43	+	8
Avonmore Fds A	150	+	7
BWD Sec	108	+	8
Britannia Grp	40	+	4
Brit Aerospace	420	+	15
Brown & Tawse	55	+	11
City of Lon PR	63	+	5
Essex Furn	126	+	8
Europa Mins	31	+	3
First Nat Fin	78	+	4
Raine Inds	81	+	5½
Rolls-Royce	142½	+	5½
Spring Ram	54	+	5½
Falls			
Anglia TV	320	-	15
Central ITV	1978	-	52
Chartwell	40	-	3
Dalepak Foods	193	-	12
Dixons	193	-	7
Lambert Hwth	355	-	28
Mirror Group	153	-	14
Reject Shop	49	-	8
Tiphook	274	-	14
Wace	148	-	7

■ Net income up 167% at $569m ■ Revenue rises to $2.13bn

Pentium chips help Intel to profit record

By Louise Kehoe in San Francisco

INTEL, the world's largest computer chip maker, yesterday reported record revenue and earnings for the second quarter.

It said it had shipped more than 10,000 Pentium chips, its new high performance microprocessor.

Revenue for the second quarter rose 61 per cent to $2.13bn from $1.32bn in the same period last year. Net income was up 167 per cent at $569m, or $1.30 per share, compared with $213m or 50 cents per share in last year's second quarter.

Earnings were in line with Wall Street expectations, but failed to reach the highest analysts' estimates. Intel's share price fell slightly yesterday to trade at $55⅛ at midday, down from a Friday close of $56.

"We had an excellent quarter. Intel486 microprocessor volume continued to expand and shipments of Pentium processor-based systems began," said Mr Andrew Grove, president and chief executive. The 486 has become the standard microprocessor for personal computers.

"Thanks to great performances by our factories, we have been able to increase our Intel486 processor shipments very rapidly." Mr Grove added that the company was in a position to meet demand for most versions of the Intel486 family, while also increasing Pentium shipments.

Intel said it exceeded its goal of shipping 10,000 Pentium processors in the quarter, and expects to increase production of the product aggressively in the third quarter.

The company said that overall demand was strong in the US and Japan, but noted some weakness in European markets.

Intel announced that the company's 27,500 employees are to receive a bonus of more than 11 days' pay. The total payout will be approximately $48m.

For the first six months of 1993, Intel's revenues rose 62 per cent to $4.15bn, from $2.56bn last year. Net income surged 181 per cent to $1.12bn or $2.53 per share, versus $397m or 93 cents per share.

First half earnings exceeded the $1.07bn the company earned for the whole of 1992. Per-share earnings were restated to reflect a 2-for-1 stock split in May, 1993.

Home shopping merger on cards

By Martin Dickson in New York

QVC, one of the leading US television shopping networks, yesterday proposed a share-swap merger with its chief rival, Home Shopping Network. The deal would create a formidable power in the emerging market for electronic retailing with annual sales of around $2bn.

QVC has been headed since January by Mr Barry Diller, who helped Mr Rupert Murdoch build Fox into America's fourth largest television network.

Shares in QVC have more than doubled since his arrival, with investors hoping he will inject programming flair into television shopping, a retailing form which many analysts believe could enjoy explosive growth.

Home Shopping, a pioneer of electronic retailing, has been under a cloud in recent months as a federal grand jury has investigated allegations that Mr Roy Speer, chairman, and former executives of the group engaged in improper financial dealings.

QVC, which reaches some 47m US homes, concentrates on the more up-market end of the television retailing while Home Shopping, which reaches some 60m homes, has a more aggressive retailing style. Both companies generate around $1bn in sales.

A merger would represent one of the last big consolidations in an industry which attracted many players in the 1980s, most of which failed to generate the sales necessary for strong profits. In spite of its supposed potential, electronic shopping only generates around $2.3bn annually in sales.

The QVC bid seems likely to go through as it has the backing of Liberty Media, the controlling shareholder of Home Shopping, with 41 per cent of its equity and 71 per cent of investors' voting power. Liberty itself withdrew a $640m offer to buy full control of Home Shopping last April amid the burgeoning scandal.

QVC is proposing a reverse takeover under which Home Shopping would issue five of its shares to the holder of each QVC share. QVC investors would also be entitled to additional shares in Home Shopping, up to a maximum of 10 per cent of its capital stock, dependent on unknown liabilities facing the company – an apparent reference to the alleged scandal.

Home Shopping would retain its listing on the New York Stock Exchange, but would change its name to QVC Network Inc, and the current QVC board would replace Home Shopping's board.

QVC, quoted on the Nasdaq over-the-counter market, saw its shares rise $2¼ yesterday morning to stand at $67½ while Home Shopping rose $⅝ to $13¼.

Paul Abrahams explains the growing pressures on the world's drugs groups

Boardroom symptoms of a sectoral malaise

THREE of the world's top six drugs companies have lost their president or chief executive since March. The boardroom bust-ups are a symptom of disarray in the pharmaceuticals industry over how to respond to the rapidly changing healthcare environment.

The reasons for Mr Richard Markham's departure from Merck & Co, the world's biggest drugs group, are still being debated. But the other two resignations, that of Mr Ernest Mario as chief executive of Glaxo, the world's second largest group, and Mr Vaughn Bryson as chief executive of Eli Lilly, the sixth largest, were clearly the result of differences within the board over the companies' future direction.

The cause of the drugs groups' difficulties is a combination of healthcare reform in Europe and Japan, and changes in the customer base in the US, the world's largest market, where an increasing number of clients are demanding ever greater discounts.

Mr Hans Joachim Langmann, chairman of E. Merck, the privately owned German group, has lamented: "The world is falling apart" for drugs manufacturers.

Reforms launched in Germany, the world's fourth largest market, led to an 11 per cent collapse in sales in the first four months of this year, according to IMS International, the market research group. In Italy, where reforms were only introduced in April, the market has shrunk by 0.6 per cent, compared with 6.4 per cent growth in 1992. Overall the European market has grown only 1.4 per cent this year, compared with 8 per cent during 1992.

In the US, the changes taking place among drugs companies' customers are probably more significant than the reforms being prepared by Mrs Hillary Rodham Clinton and her healthcare taskforce.

Employers and individuals are grouping together to buy their healthcare in bulk. The bulk providers, which include Medicare and Medicaid, the state programmes for the old and poor, health maintenance organisations (HMOs) and mail order companies, are much more cost-orientated than traditional insurers. Known as "managed" organisations, they are less interested in the relative merits of the drugs than their price and are able to play one drug manufacturer off against another, negotiating substantial discounts.

Figures compiled by The Boston Consulting Group suggest the growth of the managed sector has been explosive, increasing from 20 per cent of the non-hospital drugs market in 1987 to 35 per cent last year.

Merck reckons that by the end of the decade 90 per cent of its American pharmaceuticals sales will be to bulk buyers. At present the figure is about 60 per cent.

More alarmingly for the drugs groups, the size of the discounts the managed groups can negotiate has increased from 10 per cent to 25 per cent in the past five years. Merck has been affected by discounting more than most. Its best selling products, heart drugs and antibiotics, all suffer from price competition.

The net effect of the changes in the US and Europe has been tumbling volumes and prices. As a result, brokers Wertheim Schroder reckon the average profits growth rate in the industry will fall from 19 per cent in the late 1980s to about 8 per cent this year. Some companies will suffer a decline.

Faced with such a rapidly changing environment, drugs company boards need to make some tricky decisions about how their organisations should adapt. It is these decisions that appear to be causing the friction in senior management.

The implications of the deteriorating market are frightening. First, the groups must find alternative strategies to cope with the changing US customer base. Second, they must decide whether to remain pure pharmaceuticals groups, or use their scientific base to become healthcare companies. They would offer diagnostics and over-the-counter (OTC) medicines which are less profitable than prescription products, but generate more stable earnings.

In the US, the adjustment to managed care will be painful. Many of the thousands of sales representatives, who used to convince doctors about a particular medicine's effectiveness, may be made redundant. ScheringPlough of the US reckons a third of its sales are though managed care schemes, but require only 60 salesmen. A further 1,600 sales staff are required for the other two-thirds.

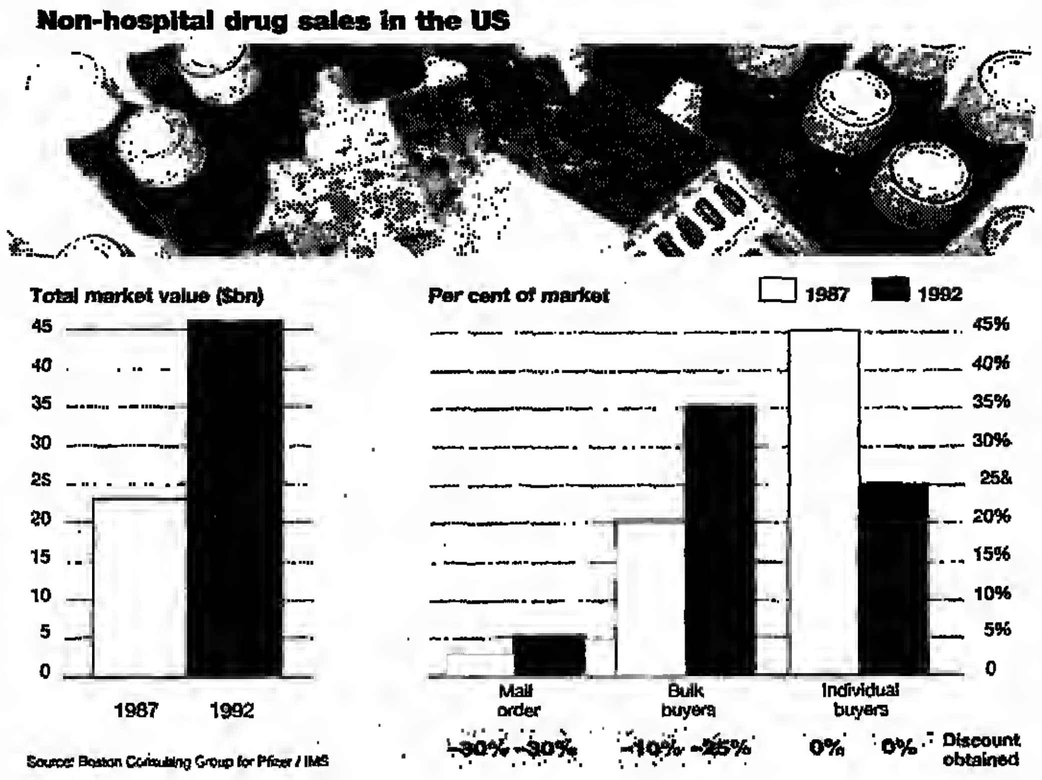
One analyst estimates there could be between 50,000 and 100,000 job losses in the industry over the next few years, saving the sector $5bn a year.

Meanwhile, the debate within the pharmaceuticals groups about alternative strategies continues. Merck has announced it will take the unprecedented step of manufacturing generic non-patented products once its medicines' patents expire. It has also formed an alliance with the consumer group Johnson & Johnson to market OTC products.

Such moves are controversial because they force pharmaceuticals groups to redefine themselves. Many of them spent the 1980s becoming pure prescription medicine companies, disposing of their OTC and consumer brands businesses. The sacking of Mr Mario at Glaxo may have been partly caused by the reluctance of the board to reverse the company's policy of exiting from OTC medicines.

Other groups that have endured senior management reshuffles include Sandoz of Switzerland, Upjohn of the US and Fisons in the UK. With no sign of the external pressures ameliorating,more boardroom ructions are undoubtedly in the pipeline.

Non-hospital drug sales in the US



Source: Boston Consulting Group for Pfizer / IMS

Merck board seek successor

By Richard Waters in New York

A DECISION not to confirm Mr Richard Markham, heir-apparent at Merck, to the position of chairman was yesterday seen as the most likely reason for his sudden and unexpected departure from the company.

Since the 42-year old Mr Markham was appointed to the number-two job of president and chief operation officer last December, leapfrogging more experienced Merck executives, he had moved fast to install his own appointees at senior management level.

The speed of the change, and an aggressive management style, are reported to have caused disquiet among other senior executives.

Merck refused to say whether the board had decided against confirming Mr Markham as successor to Mr Roy Vagelos, the chairman who is due to retire next year. However, it added: "Mr Markham was a leading candidate to succeed Dr Vagelos, but he was never the named successor."

The most likely successor to Mr Vagelos is expected to come from among the four vice-presidents on the seven-person chairman's staff. No decision is likely soon. Mr Markham is unlikely to be succeeded by another chief operating officer, a title that had been created for him, the company said Merck denied that the departure had been prompted by any disagreement over business style, saying only that it was for "personal" reasons.

Mr Markham's departure was seen on Wall Street as likely to make little difference to Merck's overall strategy. By midday in New York the company's shares had slipped by only $¼ to $34½.

Lex, Page 14

Tomkins shares fall as dividend is raised 21.4%

By Richard Gourlay in London

TOMKINS, the conglomerate which in December bought Ranks Hovis McDougall, the milling and baking company, increased earnings per share by 4 per cent last year but showed it has yet to convince investors of the merit of the acquisition.

Reporting a year that demonstrated little consumer or industrial recovery in the UK or the US, Tomkins said pre-tax profits rose 29 per cent at £171m ($253m), on sales up 62 per cent at £2.06bn.

Mr Greg Hutchings, chief executive, said RHM had neither enhanced nor diluted earnings in the period.

Fully diluted earnings per share rose from 12.74p to 13.26p and the group is recommending a 4.545p final dividend on a capital base enlarged to pay for the RHM acquisition – a 21.4 per cent dividend increase.

Although Tomkins' profits were in line with City expectations, the shares shed 11.5p to close at 212.5p. The fall follows a 16 per cent underperformance relative to the FT-All Share index since the start of the year.

Mr Hutchings said institutional investors were not saying they thought Tomkins had not made a good acquisition. "It's just that they are saying prove it."

Analysts said the share price fall reflected disappointment that Tomkins had given no more information on the extent of asset write-downs at RHM. Nor had the conglomerate produced evidence that RHM could be quickly turned around.

Tomkins said operating margins at RHM were marginally lower on an annualised basis but that cost cutting measures this year should reverse the decline. Mr Hutchings said that in spite of closing four bakeries, which had removed about 8 per cent of baking capacity, RHM had not lost market share. "There is not significant overcapacity left" in baking, he said.

Tomkins finished the year with a strong balance sheet with £120m of net cash. The group remained strongly cash generative and saw scope for reducing working capital at RHM.

The group did not see any signs of recovery in consumer or industrial confidence but was ready with high operational gearing to benefit when its markets did begin to grow strongly.

Lex, Page 14; Details, Page 22

MFI sees improvement after profits drop 39%

By Neil Buckley in London

MFI, the UK furniture group, sent a mixed message to the City yesterday, reporting a 39 per cent fall in pro-forma pre-tax profits to £40.2m ($59.7m) thanks to disappointing sales. But it said trading was currently 3 per cent up on last year.

The upbeat trading statement during the company's first full-year results presentation since its flotation last July sent the shares up 1¼p to 128¼p.

"We are trading 3 per cent ahead, but 11 weeks is nowhere near a trend, and we are still cautious," said Mr Derek Hunt, chairman.

Turnover for the year to April 24 fell 6.7 per cent to £603.9m.

Mr John Randall, finance director, said trading had been particularly disappointing during the 10-week new year sale, when MFI makes about one-third of its turnover.

While this partly reflected lower levels of activity in the housing market, he admitted MFI had made mistakes in its promotional campaigns which led to competitors stealing market share. MFI had since adjusted some prices and revamped its advertising to emphasise its competitiveness.

Sales suffered most in kitchens and bedrooms, which carry a higher profit margin because MFI manufactures them itself.

Gross margins fell 1.7 points to 57.4 per cent because of the unfavourable sales mix, and exchange rate movements.

But Mr Randall said the company's progress in cutting costs made it optimistic it could increase profits next year, even if the economic upturn was weak.

MFI has reduced overheads by 7.2 per cent through cutting staff by 800, investing in new systems, reducing stock, and purchasing freeholds on four previously leasehold properties.

Surplus space in some stores has been sub-let, leading to lower costs, and rental income for the year of £7.2m.

Mr Randall said at least another 100,000 sq ft of surplus space would be leased out in the current year, taking rental income to £8.5m.

Analysts expect costs to fall further this year and, based on an improvement in sales of 3 per cent or 4 per cent are forecasting pre-tax profits of £60m to £65m this year.

Proceeds from the flotation allowed MFI to redeem its preference shares and reduce borrowings to £62m, taking gearing from 80 per cent to 53 per cent. Since the year end, the company has received £21m from the sale of its 20 per cent stake in Carpetright, Sir Philip Harris's carpet retail chain, which was floated last month.

Pro-forma earnings were 4.5p against 7.4p, but the final payout was held at 2.5p, making a total of 3.75p.

Lex, Page 14

Shares in Mensucat Santral suspended on Istanbul SE

By John Murray Brown in Istanbul

MENSUCAT Santral, one of Turkey's leading textile companies, and its listed affiliates, have been suspended from trading on the Istanbul exchange. The move follows the parent company's application to the courts for protection from its creditors, which are estimated to be owed some TL2,200bn ($213m).

The company is controlled by the Bezmen family. Last week the group sought a court-arranged agreement with its creditors, to allow it to restructure its debts with some 23 banks, which are owed about TL1,500bn.

The creditors list includes the foreign banks, UBS, Standard Chartered, Bankers' Trust and West Deutsche Landesbank.

However, the banks most exposed are those of the local Cukurova industrial conglomerate – Interbank, Pamukbank and Yapi Kredi – which are owed TL600bn.

The court has to make a decision within 10 days. If banks refuse to agree a restructuring, the company will be forced into bankruptcy.

Bankers say a final settlement may take up to six months. The company has to show it has a positive net worth and that its assets are greater than its liabilities.

Furthermore, two-thirds of the creditors are required to agree to the planned restructuring.

Yesterday, Mr Halil Bezmen, chairman and controlling shareholder, was referring all enquiries to his lawyers.

Mensucat is one of the country's leading producers of textiles, Turkey's largest export item, earning more than $4bn a year.

Mr Bezmen was described yesterday by a foreign consultant as one of the best textile magnates in the Mediterranean. However, the group is undercapitalised and over the past two years has become over-extended by a $120m investment programme coupled with moves to diversify into copper and chemicals businesses.

Rabak, the copper business, has been particularly badly hit by the world slump in copper prices.

Mensucat Santral, the cotton textile arm, made a loss of TL38bn in 1992 on turnover of about TL1,000bn. Rabak reported a TL25bn loss over the same period.

Last week, the exchange suspended shares of Santral Holding, Mensucat Santral, Rabak and the chemicals operation Koruma while awaiting further clarification from the company.

The market was earlier alerted to problems after the company had failed to present year-end figures for 1992.

Sharp fall at Sabena prompts shake-up

SABENA, the Belgian national airline, said its first-half earnings fell by BFr1.5bn ($45m) reflecting the difficult conditions in the international air transport industry, Reuter reports from Brussels.

Sabena gave no final figure on its first-half 1993 earnings.

It said the earnings drop reflected the serious structural crisis in the sector and the drop in prices this was causing, the economic crisis, currency devaluations in a large number of European countries and the political events in central Africa.

The board of directors had approved measures worth BFr5bn to deal with the crisis in the air transport sector. The package involved an adjustment of wage costs during three years to save BFr2bn, Sabena said. It included measures to optimise its intercontinental and European networks, where the hub and spoke network at Brussels airport would remain the focus of Sabena's strategy.

Sabena said there would be large savings by making work organisation flexible. This would be done by striking a balance between the workload and available workforce in accordance with the agreement with organisations representing the workforce.

Sabena employs about 9,000 staff.

Sabena is 37.5 per cent owned by Air France and about 49 per cent by the Belgian state.

Suez disposes of subsidiary

COMPAGNIE De Suez has sold its 99.32 per cent stake in Compagnie Industrielle Maritime for FFr985.35 a share, or a total of FFr795m ($147.2m), to Compagnie Generale Europeene de Stockage, Reuter reports from Paris.

The operation was undertaken on June 30 and is to be followed by a procedure under which remaining shareholders in Maritime can sell their shares at the same price.

Ericsson issue raises SKr2.2bn

By Hugh Carnegy in Stockholm

ERICSSON, the Swedish telecommunications group, said yesterday it had raised SKr2.17bn ($301.3m) through a convertible bond issue to stiffen its financial muscle in fast-growing markets where competition was intense from rivals such as Siemens of Germany and AT&T of the US.

Ericsson said orders were set to grow hy more than 30 per cent this year to more than $9bn and it needed the cash for "acquisitions, financing requirements hy customers and because of general problems in the financial market" – although it declined to be more specific.

"This is a way to try to ensure we have the financial wherewithal in a relatively tight financial market," the company said.

Ericsson has been riding a rise in new orders for more than a year, particularly in its radio communications division. It has established a 40 per cent share of the world market for mobile telephone infrastructure systems and has signalled a significant improvement this year on last year's SKr1.30bn pre-tax profit.

It has been growing fast in China, which accounts for 7 per cent of group sales, and is anxious to ensure it can continue to compete for business where customer financing is required. "In China and even in some other markets there may be a need for us to help the customer with the financing of deals," the company said.

The issue of 4.25 per cant convertible subordinated debentures was fully subscribed, with 50 per cent taken up by foreign investors. The bonds will mature on June 30, 2000, with conversion to B shares available from August 2 at SKr300.

Espirito Santo in NY placing

By Peter Wise in Lisbon

ESPIRITO Santo Financial Holding, which heads one of the largest financial groups in Portugal, has placed 2.65m American depository shares, on the New York stock exchange.

The shares were placed at $29 each and are being quoted at around $27, said Mr Ricardo Espirito Santo Salgado, head of the group.

The offer was increased from an original 2m shares because of heavy demand, which would have been enough to buy 5.2m shares. A total of 1.9m shares were placed with institutional investors and the remainder with individuals in the US and Canada. This was the second placement of shares in New York by ESFH, which is quoted in London and Luxembourg.

Some 28 per cent of the group's capital is held by US and Canadian investors. Grupo Espirito Santo continues to hold a majority of the company followed by Grupo Freres of Belgium and Grupo Agnelli, which together hold 9 per cent.

● Foreign institutions will be allowed to buy an 80 per cent stake in Portugal's state-owned Banco *Pinto e Sotto Mayor* when it is sold in October. Mr Fernando de Almelda, the bank's president said, Reuter reports from Lisbon.

"The [BPSM privatisation] law does not set any limit on foreigners," Mr Almeida said.

The govarnment would approve the law outlining conditions for the BPSM sale in the next few days. "Then there will be three months for candidates to apply, so the operation should occur in October," Mr Almeida added.

First Greece state sale oversubscribed

THE GREEK Ministry of National Economy raised Dr7.17bn ($32m) through the partial-privatisation of its monopoly sugar producer, Hellenic Sugar Industries, according to the ministry's advisers, Reuter reports from London.

It was the first public flotation of a state-owned company in Greece and paves the way for the privatisation of OTE, the telecommunications company, due later this year.

"We are delighted with the outcome of the first public offering in Greece's extensive privatisation programme," Mr Stephanos Manos, Greek minister of national economy, said in the statement issued in London.

The public offering of 4.652m bearer shares at Dr1,200 was more than fiva times oversubscribed and the private placement for employees and sugar beet producers more than one and a half times over-snbscribed, the statement said.

Following the part-privatisation, the state-owned Agricultural Bank of Greece bolds 70.48 per cent of HSI.

"Following this success, we look forward to the privatisation of OTE later this year with a great deal of confidence," Mr Manos said.

HSI has five factories and produces over 310,000 tonnes a year. It hed 1992-93 pre-tax profits of Dr6.318bn.

Asko sells remaining AVA stake

By David Waller in Frankfurt

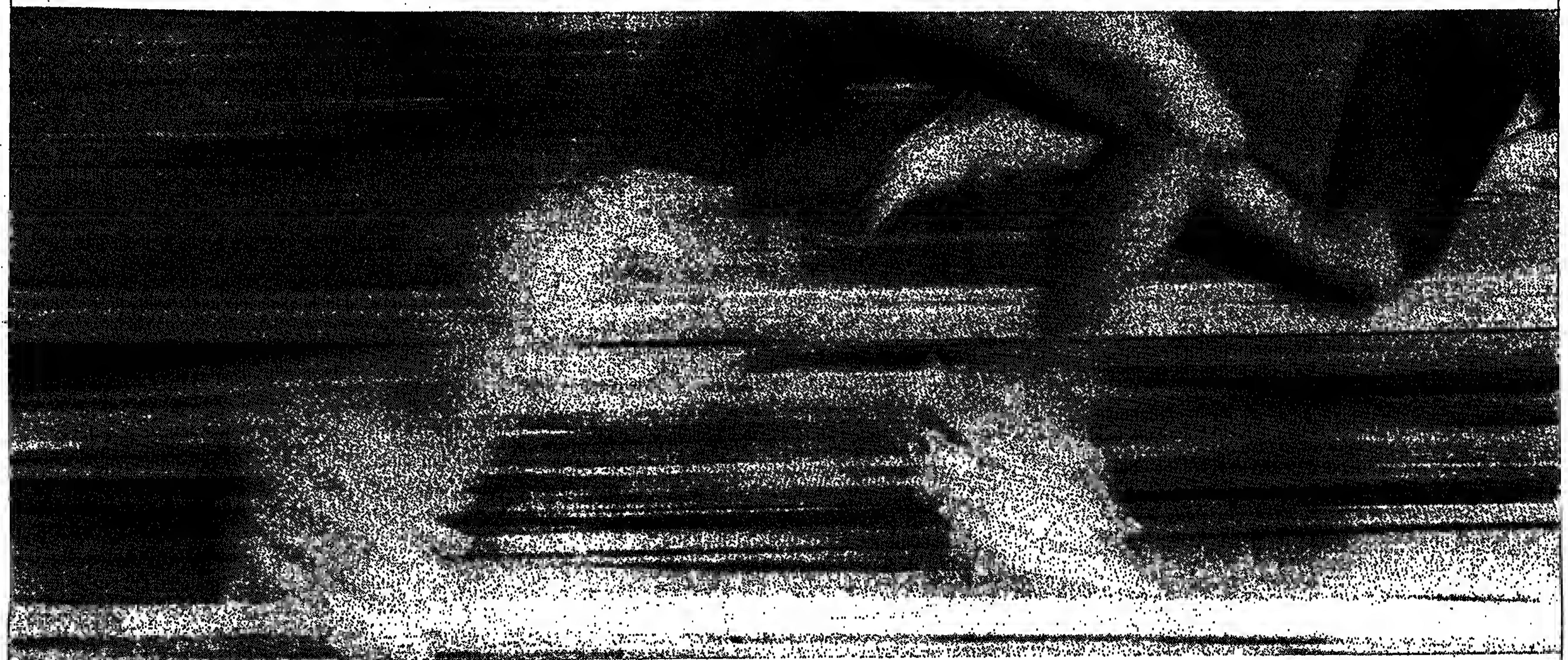
ASKO Deutsche Kaufhaus, one of Germany's biggest retailers, said yesterday it had sold its remaining 7 per cent stake in AVA Allgemeine Handelsgesellschaft der Verbraucher, anothar quoted German retailer in which Asko used to own a 50 per cent interest.

In a brief statement, the Saarbrücken-based Asko said the sale of its entire AVA stake since February had raised more than DM1bn ($625m). Mr Klaus Wiegandt, chief executive, said that the sale had been achieved at slightly above book value.

"With this step we have completed the most important part of our disinvestment programme," the chief executive said. Asko, majority-owned by Metro, the large Swiss-based retailer, expanded rapidly in the late 1980s but has embarked on a drastic rationalisation plan in order to cut its debts, which stood at DM4.7bn at the end of March.

The Bielefeld-based AVA, nearly 50 per cent owned by Edeka Zentrale, had turnover of DM6.8bn last year, up from DM5.1bn in 1991. It operates in the discount market and derives 60 per cent of its turnover from food retailing.

We're always improving our track record



	1990	1991	1992
Sales	19,964	22,964	27,167
Capital Expenditure	10,610	11,827	10,637
Net Profit	1,367	1,413	1,425

The STET Group in billions of lire

At Stet, we treat every project as a challenge, every achievement as a reason to set new goals. It's this attitude to business that confirmed STET as one of Italy's entrepreneurial successes of 1992. The acquisition of Finsiel in Italy and the expansion of our worldwide operations has meant that STET now comprises more than 100 telecommunication companies. The STET Group activities include manufacturing and engineering, network installations, services management and state-of-the-art data management and satellite communications systems. Working together as a group, we are taking Italian telecommunications into the next century. We know where we're going and we're getting there. Fast.

STET. Working for the advancement of Italian telecommunications since 1933

STET

IRI group

INTERNATIONAL COMPANIES AND FINANCE

Record second-quarter earnings at Fannie Mae

By Patrick Harverson in New York

THE FEDERAL National Mortgage Association (Fannie Mae) reported record second-quarter profits yesterday as the favourable domestic interest rate environment continued to provide a foundation for strong earnings growth.

The company, which is the largest mortgage provider in the US, announced profits of $453.8m in the second quarter, up 14 per cent on its earnings in the same three months of 1992.

It was the 22nd consecutive record-breaking quarter for Fannie Mae and was achieved despite $39.8m in after-tax losses incurred from the call of debt at a premium and the repurchase of high-coupon debt.

In the first quarter of this year Fannie Mae earned $443.6m, which took six-month profits to $902.4m, an increase of 15 per cent on the previous first half and on target for annual earnings to outpace the $1.62bn achieved in 1992.

Mr James Johnson, Fannie Mae's chairman, said a number of factors were behind the latest record quarter, including strong growth in the company's mortgage portfolio, increased interest income from the investment of proceeds from repaid mortgage-backed securities, and continued high levels of miscellaneous income, especially fees earned from the sale of REMICs (real estate investment conduits).

Fannie Mae's net interest income jumped 22 per cent to $632.1m following a 21.4 per cent increase in the size of the company's net mortgage portfolio to $170bn and a widening in its net interest margin (the difference between the interest it earns on mortgage loans and the interest it pays to borrow money) from 139 basis points to 143 basis points.

The readings on the state of the US housing market suggested that there has been little change in conditions over the past year.

Although Fannie Mae's acquisitions of single-family foreclosed properties rose slightly in the second quarter to 2,790, its serious delinquency rate for single-family loans, a key indicator of credit quality, declined to 0.59 per cent in May, down from 0.60 per cent in May 1992.

The news of record earnings lifted Fannie Mae shares $1¼ to $85⅞ on the NYSE.

Coors to cut white collar staff by 20%

By Karen Zagor in New York

ADOLPH Coors, the third biggest US brewer, is to cut 500 jobs, or about 20 per cent of its white collar workforce, in an attempt to reduce costs and improve long-term profitability.

Coors, which is trying to compete more successfully with market leaders Anheuser-Busch and Philip Morris, hopes to achieve the job reductions through enhanced early retirement packages, incentives for voluntary redundancy and attrition.

The company said the job cuts were part of a a wider plan which will include reducing inventories of raw and finished goods, improving productivity, using excess capacity and increasing the effectiveness of market spending.

In addition to reducing general and administrative costs, Coors plans to farm out a large part of its marketing services and field marketing.

It said it would create a free-standing, independent marketing services company – to be called Front Range Communications – which will provide marketing support for Coors ranging from merchandising to trademark sales.

About 100 Coors employees will be offered jobs in the new agency.

Mr Leo Kiely, president and chief operating officer, said: "Coors Brewing Company has outpaced the industry in volume growth rate for eight consecutive years.

"At the same time, we have lagged in providing adequate returns to our shareholders. We are committed to improved profitability while continuing to build our competitive position in the marketplace."

● Mr Arthur Wegner has been appointed chairman and chief executive of Raytheon's Beech Aircraft unit, from July 19, Reuter reports.

Mr Wegner, also appointed a senior vice president, succeeds Mr Max Bleck, who remains Raytheon president and group executive for aircraft products.

Apple reduces prices to maintain sales momentum

By Louise Kehoe in San Francisco

APPLE Computer yesterday announced further reductions in the US prices of several of its personal computer products.

The move followed reductions in May and June, as the company, which last week announced deep job cuts, struggles to maintain its sales momentum amid an industry-wide price war.

The latest round of price cuts applies to Apple's popular Powerbook notebook computers as well as its highest performance Macintosh Quadra models.

In addition, Apple expanded a rebate promotion to cover the Performa product line, which is aimed primarily at consumers.

"The price reductions, and the Performa rebates, are part of our overall company strategy to take aggressive actions in order to increase our market share," said Mr Bob Puette, president of Apple USA.

"With these actions, we are making some of our most popular products more competitive."

Apple reduced the US price of its Macintosh Quadra 950 systems by up to 29 per cent and also cut the price of its recently introduced workgroup server computers by up to 20 per cent.

Powerbook prices have been reduced by seven to 34 per cent. Buyers of Apple's Macintosh Performa PCs will receive cash rebates of $100 to $200.

Despite the price cuts, Apple's share of the world PC market is stagnating, according to industry analysts, and the company's profit margins have declined.

In a move to boost profits the company said last week that it would lay off 2,500 people, or more than 15 per cent of its worldwide workforce, over the next 12 months.

Most of the job cuts are due to occur this month.

Apple has also frozen pay increases for all employees for an indefinite period, and the company's top executives must take a 5 per cent pay cut, the company said.

Mr Michael Spindler, Apple president, who was promoted to chief executive officer last month, has declined to make any comment on the cost cutting moves.

Mr John Sculley, who remains chairman of the company, is on sabbatical.

Northwest Airlines close to union deals

By Karen Zagor

NORTHWEST Airlines, the fourth largest US carrier, yesterday secured a tentative agreement with its machinists' union and an agreement with the Teamsters' union is believed to be imminent.

The airline, which is integrating its operations with those of KLM Royal Dutch Airlines, needed significant labour concessions to remain operating outside the protection of the bankruptcy courts.

Last week it ratified an agreement with its pilots' union which will save the carrier $365m over three years.

Northwest has agreed that $61m of the savings from its pilots could come from work-rule changes instead of direct wage and benefits cuts.

There is also a provision to give all employees the choice of being repaid for their concessions within 10 years, or they may choose to receive as much as 37.5 per cent of the common stock in the company.

Previous agreements had called for employees to receive a 30 per cent stake in the airline.

The machinists' pact replaces an agreement which was rejected by union members last month.

The terms of the new agreement are believed to be similar to those of the pilots' agreement. Northwest is now expected to reach an agreement with its Teamsters' union shortly.

Ontario Hydro sees bigger loss

By Bernard Simon in Toronto

ONTARIO Hydro, North America's second-biggest power utility, has raised its 1993 loss estimate to C$1.6bn (US$1.25bn), citing slack demand for electricity, write-offs related to restructuring, and continuing problems at a nuclear power station.

Long-term borrowings this year are also likely to rise from C$3.2bn to C$3.6bn, due to lower funds generated from operations and an increase in the amount of bonds called so far this year.

A further C$400m increase in the borrowing requirement will be necessary if debt-restructuring proposals are approved.

The provincially-owned utility, which is based in Toronto, earlier this year forecast a break-even in operations. But it said yesterday that it now expected a C$200m loss.

It ascribed the setback to a variety of factors, ranging from the weak economy to unusual weather patterns and higher fossil-fuel energy costs. It also said the economic outlook for future years was less rosy than anticipated.

The extent of this year's loss will probably result in the depletion of the utility's fund for rate stabilisation and contingencies, which stands at about C$1.6bn. However, it reaffirmed its earlier promise to freeze electricity rates next year following several years of steep increases.

The rates freeze was among the early moves made by Mr Maurice Strong, who organised last year's Earth Summit in Rio de Janeiro, when he took the reins of Ontario Hydro earlier this year.

Mr Strong pledged a thorough shake-up and has also given notice of several thousand lay-offs.

However, Energy Probe, a lobby group, expressed doubts yesterday whether the promise to keep rates unchanged next year can be met.

GM cautious on third quarter

GENERAL MOTORS is optimistic about its second-quarter sales results but third-quarter production schedules are not overly aggressive, Mr John Smith, the group's chief executive officer, said yesterday, Reuter reports.

Mr Smith, speaking to reporters at a US-Japan business conference in Cleveland, said GM had a "good" second quarter. He added that the US car maker's vehicle sales were "much stronger than anyone else on the retail side".

However, he said there was still a lot of uncertainty in the market place and GM had not been too ambitious in planning third-quarter production.

According to Ward's Automotive Reports, GM plans to produce 655,000 cars in the third quarter, up 46.9 per cent from a year earlier. It also intends to produce 380,000 trucks in the third quarter, up 26.2 per cent from the third quarter of 1992. "Those schedules don't look overly optimistic," Mr Smith said.

He said the European vehicle market was still very weak, but added that GM's European operations were performing satisfactorily. "We're satisfied with how we're doing" in Europe, he said.

● Meanwhile, General Motors' Powertrain Group said it has agreed to supply Toyota Motor Manufacturing USA with iron engine blocks for Toyota's 2.2-litre engine beginning in mid-1994.

The blocks, destined for Toyota Camrys built in Georgetown, Kentucky, will be produced at GM's Defiance, Ohio, facility. GM said it would provide 180,000 blocks annually for the 16-valve engines.

GM said the agreement was part of a strategy to expand the business to secure jobs for General Motors and United Auto Workers-represented employees.

GM Powertrain's plant in Defiance manufactures grey iron and nodular iron castings and employs 3,773.

Alcan joins review of Kemano project

By Robert Gibbens in Montreal

ALCAN Aluminium is joining a public review of its plans to complete the Kemano hydro expansion in British Columbia.

The company has spent C$500m (US$391m) towards completing the project and will invest more than C$600m on further construction.

Kemano's first stage was built in the 1950s to support Alcan's 272,000 tonnes-a-year smelter nearby. Alcan's Canadian smelting capacity is 1.1m tonnes.

The company suspended work on the Kemano project in 1991 after a federal court ruled the project must go to federal environmental review. This was reversed by the appeal courts, which found Alcan had fully met a 1987 agreement with the federal and British Columbia governments.

Last January the provincial premier Mr Michael Harcourt said the British Columbia Utilities Commission would conduct the public review and report by September 13.

AlliedSignal sets up French offshoot

ALLIEDSIGNAL Automotive, a unit of New Jersey-based manufacturing group AlliedSignal, is to set up a global automotive brake and friction material business, headquartered in Drancy in France, AP-DJ reports.

AlliedSignal said the unit, AlliedSignal Braking Systems, will be its first outside the US.

The group will also maintain offices at AlliedSignal Automotive's headquarters in Southfield, Michigan.

The new company will be headed by Mr Stephen Rabinowitz, formerly vice president of AlliedSignal Friction Materials.

Mr Rabinowitz said brake business represents about half of AlliedSignal Automotive's annual sales of $4.5bn.

The new subsidiary will provide "complete braking systems capability, as well as ... components, while reducing cycle times and taking advantage of synergies in product development, testing, sales and marketing", he said.

Chile purchase by McGraw-Hill

McGRAW-HILL, the US publisher, has acquired Distribuldora Ciencia y Tecnica, a Chilean book distributor, Reuter reports. Terms were not disclosed.

Distribuidora Ciencia y Tecnica has distributed McGraw-Hill's professional and college books in Chile for eight years.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 13.07.93 Pool purchase price £/MWh	Final Prices for trading on 15.06.93 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.80	18.09	18.09
0100	18.05	18.09	18.09
0130	18.05	18.09	18.09
0200	18.18	18.09	18.09
0230	18.18	18.09	18.09
0300	18.18	18.09	18.09
0330	18.18	18.07	18.07
0400	18.18	18.07	18.07
0430	18.18	18.07	18.07
0500	18.18	18.07	18.07
0530	19.62	19.62	19.62
0600	18.18	19.62	19.62
0630	18.05	18.09	18.09
0700	21.71	26.09	31.18
0730	25.54	26.09	30.94
0800	25.56	26.22	31.08
0830	26.35	29.06	34.09
0900	26.88	29.51	34.65
0930	26.92	29.80	35.01
1000	26.96	29.98	35.22
1030	26.97	30.02	35.28
1100	27.01	30.39	35.75
1130	33.20	39.70	45.57
1200	34.54	40.24	46.23
1230	34.49	39.93	45.85
1300	34.39	39.18	44.84
1330	25.77	29.65	34.75
1400	25.73	27.64	32.60
1430	25.69	26.94	31.85
1500	25.68	27.49	32.42
1530	25.69	27.57	32.51
1600	25.73	27.81	32.82
1630	31.74	36.03	41.43
1700	36.52	36.28	41.67
1730	36.49	33.93	41.21
1800	36.37	36.19	40.36
1830	29.69	27.08	31.91
1900	25.68	27.03	31.85
1930	25.64	26.09	30.89
2000	25.11	25.49	30.26
2030	25.11	27.02	31.84
2100	31.03	33.00	38.00
2130	31.03	33.00	33.00
2200	33.78	41.82	46.73
2230	52.00	60.66	66.36
2300	34.00	60.86	60.86
2330	30.50	33.00	33.00
2400	15.07	18.81	18.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-436780 between 9:30am and 5:15pm Monday to Friday.

INTERNATIONAL COMPANIES AND FINANCE

Anglo American confirms opposition to unbundling

By Philip Gawith in Johannesburg

ANGLO American Corporation, South Africa's largest company, has restated its opposition to the concept of unbundling as a means of reducing its size and influence in the local economy.

In his annual statement, Mr Julian Ogilvie Thompson, chairman, noted: "The corporation has no intention of mounting a major unbundling exercise. We believe the corporation's overall structure is sound and continues to serve the interests of the shareholders and the country well."

Unbundling has been much in the news in South Africa recently following the May announcement by Gencor, South Africa's second largest mining house, that it planned to break itself up into smaller units, and last month's cautionary statement from Barlow Rand, the largest industrial group in the country, that it will split itself into three.

Mr Ogilvie Thompson had two main messages to deliver. First, that Anglo was a dynamic company which benefited the economy. The second was a strongly argued case about the appropriate aims and limits of competition policy, unbundling and black empowerment – areas set for greater prominence under any new black dominated government.

Julian Ogilvie Thompson: overall structure sound

Anglo, and much of corporate South Africa, fears that the heavy-handed or confused application of these policies could cause considerable economic damage.

Mr Ogilvie Thompson argued that the most important aspect of competition policy was to reintegrate the country into the global economy.

He conceded that Anglo and its associates controlled about 25 per cent of the capitalisation of the Johannesburg stock market but he disputed that this conferred excessive power which could be used to thwart the state.

He noted that Anglo accounted for about 6 per cent of the country's fixed capital stock. He argued that far from being an "acquisitive, short-term orientated US-style" conglomerate, Anglo had been characterised by organic growth, which accounted for as much as 80 per cent of the capitalisation it controlled.

Mr Ogilvie Thompson said South Africa would have to find the right balance between policies which sought to promote competition, and those which sought to promote industrial capability, which probably involved favouring large companies.

Price rise boosts Gold Fields

By Philip Gawith

AN increase of 9 per cent in the average gold price offset lower production and allowed the four gold mines in the Gold Fields group to improve after-tax profits by 15 per cent to R306.6m ($92.3m) in the three months ended June compared with the March quarter.

Gold Fields does not sell production forward so its results are closely geared to movements in the gold price. The average price per kg received during the quarter was R35,672 compared with R32,716 in March.

This was offset, however, by the 6 per cent fall in gold produced to 28,775kg following a fire at West Driefontein and a fall in the grade at the Kloof division of the Kloof mine.

The net effect of these conflicting trends was that working profit rose marginally to R337.8m from R330.8m. A large jump in net sundry revenue – mainly payouts from insurance claims related to fires – to R41.2m from R13.9m helped bolster after-tax profit.

Commenting on the individual mines, Mr Michael Fuller-Good, general manager, said Driefontein should be able to improve on its profits as the west part of the mine had recovered from its fire. He said the Kloof division was performing well, despite the recent fall in grade. He thought the Libanon division, which made a working loss in the June quarter, was probably back in profit at current gold prices.

Woolworths relisting lifts market in Australia

By Bruce Jacques in Sydney

SHARES in Woolworths, the Australian retailer, relisted publicly yesterday at a hefty premium, pushing the Australian stock market to its highest level since 1987 and paving the way for a deluge of new company flotations.

Woolworths shares, issued at A$2.45, closed at A$2.81 after trading as high as A$2.88 following a three-hour extension of normal trading by the Australian Stock Exchange.

The strong Woolworths trade, involving almost 92m shares worth A$280.6m (US$174.8), pushed total market turnover to A$813m.

The float, Australia's biggest ever, consisted of 1bn shares at A$2.45 each.

Tha vendors, Industrial Equity, received applications for 2.66m shares worth A$6.52bn and were forced to scale back allocations to both institutional and public applicants.

Analysts said last night the lively showing meant that demand was likely to spill over into other proposed Australian share issues, especially the A$90m raising by AAPC, incorporating the Australian assets of the Accor Asia Pacific hotel group, and an A$112m offering of gold interests held by Ashton Mining, the Australian diamond producer.

The Australian government has also announced plans to float a further 19 per cent of the Commonwealth Bank of Australia around September this year while Burns Philp, the Australian industrial group, is also believed to be considering an A$400m float of its hardware division.

A maverick takes to the golf course

EIE International's president finds time to relax, says Robert Thomson

When Mr Harunori Takahashi, president of EIE International, the Japanese property developer, heard that five leading banks were planning to halt their lending to his debt-ridden company, he took the news calmly. "I'm off to play golf," he is reported as saying.

At least Mr Takahashi has a fine range of EIE International-owned golf courses on which to practise while the payments mount on his company's debts, conservatively estimated at Y700bn ($6.38bn). But there could be cause for nervousness. The tough line being taken by the banks may yet mark a turning point in the treatment of ailing companies in post-bubble era Japan.

The action was initiated by the Long-Term Credit Bank of Japan, EIE International's main bank, which has about Y190bn in loans to the company, about half of which LTCB has categorised as bad. LTCB wants to distance itself from Mr Takahashi and his approach to the property empire's troubles.

Mr Takahashi was still confident last night that he would find other banks to fund his company, but with LTCB and other past friends, including Mitsui Trust and Banking and Mitsubishi Trust and Banking, not willing to lend directly, it will be difficult for him to raise new funds in Japan.

At EIE's peak, Mr Takahashi had a glittering array of trophy properties. He owns a fleet of luxury hotels including the Beverly Wilshire in Beverly Hills, and a floating hotel in Vietnam. He also established a private university in Queensland in tandem with Mr Alan Bond, the failed Australian entrepreneur.

The conflict between the aggressive EIE International and its banks is being played out against a background of a rising pile of non-performing property loans. Japanese banks were able to exploit interest rate falls last year to boost profits and write off a small portion of their exposure, but they face increasing difficulties this year.

Officially, the country's 11 leading commercial banks have Y8,400bn in non-performing loans, but that figure is unofficially estimated to be about half the actual total. The banks generally do not include "restructurings", such as the EIE case, where interest rates are shaved to almost zero, or the problem loans of finance company affiliates.

Harunori Takahashi: difficult to raise new funds in Japan

Japanese banks, unlike their US counterparts, are generally determined to deal with their problem loans over the longer term, avoiding the embarrassment of short-term losses. This strategy, mildly criticised by the Bank of Japan, restricts the banks' lending ability and encourages them to pass on the charges to more solidly based clients.

But, in the case of EIE International, the banks have decided that enough is enough, although LTCB still plans to support some individual projects, including Bond University and the vast Sanctuary Cove resort in Queensland. A statement from the bank issued in Australia said that it "wishes both projects to carry on without interruption".

The bank has also indicated that it will not necessarily abandon the debt-burdened shipping and resort affiliate, Sea-Com, listed on the second section of the Tokyo exchange, in which EIE International has a 45.7 per cent stake, or the affiliated over-the-counter electronics company, Electronic and Industrial Enterprises. Trading in both stocks was suspended yesterday.

The timing of the banks' retreat is linked to unsuccessful attempts to renegotiate a restructuring package negotiated two years ago, when the EIE group's debts were estimated at Y1,000bn. LTCB says that it was interested in putting together a new package, but could not reach agreement with Mr Takahashi and had to stop fresh lending.

Apart from cutting interest rates and pumping in enough funds to keep the company afloat, LTCB had provided EIE with five senior managers who were supposed to work in tandem with Mr Takahashi. The five were given new assignments at LTCB yesterday.

"We could not agree with EIE on the restructuring and hava decided to end our support. We just could not go on providing funds the way things were going," LTCB said. "We are taking this action because we want to show that we are financially sound."

However, an EIE manager said the bank wants to distance itself from the company, but would be unable to abandon it entirely. He said LTCB had become annoyed because creditors were going to the bank before they called on the developer to collect their debts.

"I think we will be okay. Mr Takahashi is still confident. Today he gave us a rundown of the long-term business plans for the companies, so I don't think he is very worried. We are relaxed," the EIE manager said.

It is unclear whether LTCB and the other banks will be as prepared to pull the plug on more mainstream clients who have heavy exposure to the stock and property markets. The decision is easier in the case of EIE since it is not linked to the large Japanese corporate families, and because Mr Takahashi himself is seen as something of a corporate maverick.

Moody's downgrades Japanese building group

By Emiko Terazono in Tokyo

MOODY'S, the US credit ratings agency, has downgraded the long-term debt rating of Hazama, the Japanese construction company.

Hazama faces government penalties due to the involvement of executives in an alleged bribery scandal. Moody's said the company's operating performance and financial flexibility will be damaged by penalties, effectively contract bidding suspensions, and downgraded its long term debts to B2 from B1.

The Ministry of Construction, tha Ministry of Transportation and local governments have suspended Hazama from bidding for new public projects in the near term, after three exectives were arrested.

Moody's said the penalty could affect Hazama's profits for the next few years due to the company's dependence on public works projects. Some 30 per cent of Hazama's non-consolidated revenue for the year ended March 1993 was generated by public sector work.

The agency said the case would affect the company's relations with banks and investors, and its private sector business.

Hazama already faces asset problems due to aggressive business expansion in the late 1980s, and Moody's said the company was not prepared to face a further fall in revenue.

Alcoa earnings surge to A$199m in opening half

By Bruce Jacques

ALCOA of Australia, the Australian integrated aluminium producer, has overcome flat demand and recorded a robust earnings performance in the half year ended June.

Net earnings rose 45 per cent to A$198.8m (US$133.4m) in the six months on a 2 per cent improvement in revenue to A$1.09bn.

The result excluded an abnormal gain of A$59.7m (against nothing previously) reflecting a tax adjustment while capital expenditure was down to A$85.2m from A$120.4m.

The company lifted its dividend payout to A$180m from A$120m, most of it going to the two largest shareholders, Aluminum Company of America and Western Mining Corporation.

Alcoa said the aluminium division had made a negligible contribution to earnings, and operations remained under *review following American* Alcoa's recent 25 per cent cut in primary metal output.

Tax took A$100.8m and depreciation A$73.4m. Interest expense totalled A$13.0m.

High aluminium stocks and low prices hava hit the aluminium business worldwide.

A larga part of the industry's difficulties stem from an upsurge in imports to the west from the former Soviet Union.

INDEX CONSTITUENTS

LISTS OF the constituent stocks of the FT-SE Actuaries Share Indices series and other FT indices are available at no charge from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL.

Information regarding the FT-Actuaries World Indices, including details of constituents, is available from:

Mark Zurack or Barbara Mueller
Goldman, Sachs & Co.
85 Wall Street,
New York,
New York 10004,
U.S.A.
(212-902-6777).

Symon Bradford,
NatWest Securities
Ltd.,
Kintore House,
74-77 Queen Street,
Edinburgh EH2 4NS
(031-225-8525)

EARNINGS IN THE FT

Readers of the FT's London Share Service pages will have started to notice a capital N against the names of some companies.

The N symbol means that the version of the company's earnings used in the FT's statistical calculations now follows the "headline earnings" formula devised by a subcommittee of the Institute for Investment Management and Research (IIMR) and proposed in draft form (still subject to final review) in early March.

This formula represents a broad consensus on the 'single number" that should be used for UK companies' earnings under the Accounting Standards Board's Financial Reporting Standard 3.

The IIMR headline earnings formula emphasises a company's actual activities during the reporting period, including those activities which have been with the company only for part of the period. Key features are:

- All trading profits/losses are included in the earnings number. Items which are abnormal in size or nature are included but should be flagged.
- Profits and losses on the sale of fixed assets or of businesses should be excluded. This does not apply to assets acquired for resale, such as marketable securities.
- Profits and losses arising in activities discontinued at some point in the period, or in activities acquired at some point in the period, should remain in the earnings figure. Costs of eliminating a discontinued operation, or of making an acquisition, are excluded.

Further information on the FT's treatment of earnings is available from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL.

INTERNATIONAL CAPITAL MARKETS

French debt prices hold the line amid currency battle

By Peter John in London and Patrick Harverson in New York

MILITARY analogies were back in fashion yesterday as the European bond markets watched the French franc plunge through key support levels against the D-Mark.

But while the currency appeared to retreat in tatters, French government debt prices held the line and even advanced throughout the day.

Speculators sold the French currency down to FFr3.4150 against the D-Mark yesterday morning, backed off and then returned in the afternoon to take it down to within a centime of its floor in the European exchange rate mechanism.

In the meantime, the German finance minister Mr Theo Waigel had offered verbal support and the Bundesbank said it had intervened to support the franc.

The Banque de France was conspicuous by its silence but it did attempt to stem the tide by draining liquidity from the system at its weekly repo.

The central bank only provided the commercial banks with FFr10bn against their demand for FFr70bn. The rationale according to one economist was that the banks would have to use their available funds to deal with their daily commitments and would have less spare cash to sell in the international currency markets.

"The big guns are in place, the trenches have been dug and if it can hold on until the summer recess, France should be clear until the autumn," said one bond trader yesterday.

That view found support in the bond market, which held firm throughout the day. The September futures contract traded on the Matif slipped a little in early trading but recovered its losses to close firmer at 119.78.

There was support also from consumer prices data for June, showing a year-on-year rise of between 1.9 per cent and 2 per cent, while the oversubscription for the Balladur privatisation bond was interpreted as allowing the government more funds to stimulate the flagging economy.

Also, overseas investors had already piled out of the French market at the end of last week and domestic bonds received some support from short covering.

Finally, there was a feeling that the government was committed to lower interest rates and to maintaining at the very least a dual central role within the ERM.

■ GERMAN government bonds performed against initial expectations, sliding gently on low volume as the D-Mark remained under pressure against the dollar.

Traders said that, as with the franc, foreign investors had already adjusted their funds by the end of last week and there was nothing to focus on.

The market is now concentrating on the possibility of an easing at Wednesday's repo, which was carried out last week at 7.3 per cent.

More importantly, they are looking towards Thursday's Bundesbank council meeting and the prospect of a further cut in the floor lending rate, the discount rate, which is at 6.75 per cent, parity with the French intervention rate.

■ THE rise and rise of UK gilts continued to surprise and astonish the London market yesterday.

Apart from slightly encouraging data on inflation there was nothing to galvanise the market but maturities at the long end of the yield curve powered ahead again with 25-year maturities up half a point on Friday's close.

■ SWEDISH government bond investors were diverted by an SKr6.5bn auction of 10-year and six-year government bonds.

The 10-year bond was relatively well covered at 1.62 times achieving an average accepted bid price of 112.02 and a yield of 8.39 per cent. The six-year maturity was also tightly bid but traders said the cover of 1.45 times was disappointing.

■ US Treasury prices firmed slightly at the long end of the maturity range yesterday as the market traded quietly ahead of this week's important inflation data.

By midday the benchmark 30-year government bond was up ¼ at 106⅝, yielding 6.625 per cent. At the short end of the market, the two-year note was unchanged at 100⅛, to yield 3.957 per cent.

Business was subdued throughout the morning for two reasons. First, many traders were absent from the market attending the annual Public Securities Association golf event in New Jersey.

Second, participants were reluctant to commit funds to the market ahead of today's release of the June producer prices data and tomorrow's release of the consumer prices figures.

GOVERNMENT BONDS

FT FIXED INTEREST INDICES

	July 12	July 9	July 8	July 7	July 6	Year ago	High *	Low *
Govt.Secs.(UK)	98.06	97.89	97.88	97.67	97.90	89.45	98.06	93.28
Fixed Interest	110.21	116.00	115.90	115.92	115.90	108.19	116.21	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.10 (3/1/75)
Fixed Interest high since compilation: 116.21 (12/7/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 9	July 8	July 7	July 6	July 5
Gilt Edged Bargains	97.4	92.3	107.3	109.3	95.8
5-Day average	100.4	100.2	108.4	108.9	107.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	116.8701	+0.461	7.18	7.30	7.66
BELGIUM		9.000	03/03	113.1600	-0.080	7.07	7.05	7.24
CANADA *		7.500	12/03	102.6000	+0.400	7.14	7.28	7.47
DENMARK		8.000	05/03	106.3000	-0.350	7.08	6.86	7.13
FRANCE	STAN	8.000	05/98	107.1251	+0.156	6.23	6.25	6.41
	OAT	8.500	04/03	111.6600	+0.060	6.82	6.84	6.94
GERMANY		6.750	04/03	101.3900	+0.010	6.56	6.71	6.75
ITALY		11.500	03/03	104.2300	-0.200	11.07†	11.13	11.94
JAPAN	No 119	4.800	06/99	103.7165	+0.222	4.03	4.14	4.32
	No 145	5.500	03/02	107.6256	-0.104	4.30	4.30	4.42
NETHERLANDS		7.000	02/03	103.9900	-	6.42	6.54	6.58
SPAIN		10.300	06/02	100.1634	-0.115	10.26	10.17	10.70
UK GILTS		7.250	03/98	102-06	-	6.68	6.75	7.04
		8.000	06/03	103-15	+4/32	7.49	7.56	7.91
		9.000	10/08	109-13	+5/32	7.92	7.99	8.30
US TREASURY *		6.250	02/03	103-24	+7/32	5.73	5.74	5.95
		7.125	02/23	106-13	+14/32	6.63	6.66	6.80
ECU (French Govt)		8.000	04/03	105.6700	-0.080	7.17	7.16	7.31

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Steady stream of commitments to Spanish facility

By Sara Webb

THE Kingdom of Spain's Ecu4bn borrowing facility, hailed as the largest financing to be put together by a European government this year, is "drawing a steady stream of commitments from banks", according to bankers involved in the deal.

The three-year, multi-currency revolving credit facility is being arranged by NatWest Capital Markets and has been described as fairly aggressive in its pricing.

The Kingdom of Spain, which has a double A credit rating, will be paying a margin of 7.5 basis points over the London interbank offered rate (Libor) in addition to an annual facility fee of 5 basis points, to be paid irrespective of whether the facility is drawn or not.

The participation fees (the fees paid to a participating bank) are understood to be in the region of 7 basis points for Ecu300m, 5 basis points for Ecu150m, and 3 basis points for Ecu75m.

NatWest Capital Markets points out that the terms on Spain's loan are higher than those commanded by the UK, which last September set up an emergency funding programme aimed at helping to support sterling in the foreign exchange market. The UK is a triple-A rated borrower.

The UK Treasury's Ecu10bn funding programme consisted of an Ecu5bn three-year multi-currency revolving credit facility with a margin of 9.375 basis points over Libor. There was a commitment fee of 5 basis points, which applied if the facility was not drawn, and a front-end fee of 3.125 basis points.

The Kingdom of Spain's deal is not intended for currency support, but as a means of establishing long-term liquidity.

The facility has already been fully underwritten by a group of banks consisting of ABN-Amro Bank, Banco Bilbao Vizcaya, Citibank, Dresdner Bank, National Westminster Bank, Société Générale, and Sumitomo Bank.

Investors snap up Y150bn Eurobond offer from Italy

By Sara Webb

THE Republic of Italy took another step forward in its international borrowing campaign yesterday with the launch of a Y150bn, 10-year *Eurobond* issue.

Dealers said the issue was snapped up by institutional investors, many of whom were keen on the relatively high coupon and wanted to get into long-dated yen-denominated bonds ahead of a possible interest rate cut.

There is plenty of speculation that the Bank of Japan may ease soon, even though the official discount rate is already at 2.5 per cent, and some investors appear to be looking for further appreciation of the yen against the US dollar, dealers said.

Italy, which has an A1/AA credit rating, last tapped the Euroyen sector in 1987 with a Y150bn issue that matured last year.

Yesterday's deal was priced to yield 72 basis points over the widely-followed No 145 JGB (which has a nine-year maturity), or 62 basis points over the No 157 government bond which has a 10-year maturity.

Nomura, the lead manager, said the bonds traded up from the re-offer price of 99.474 to 99.50-99.52 by late afternoon.

Other dealers said the coupon of 5.125 per cent was seen as attractive by investors, giving a yield of 5.2 per cent at the issue price.

The lead manager looked at comparable long-dated Euroyen issues from Spain and Finland when pricing Italy's bond – these borrowers have nine-year issues trading at yield spreads of 52 basis points and 62 basis points respectively over the JGB.

Among the handful of new issues in the international bond market, a Eurolira offering from UBS Finance raised some eyebrows because of its aggressive pricing.

UBS Finance launched a L250bn, seven-year bond with a coupon of 9.25 per cent – the lowest coupon seen so far this year in the Eurolira sector, which has only recently grown accustomed to the idea of coupons below 10 per cent.

At the re-offer price of 99.50, investors obtained a yield of 9.351 per cent, which is seen as far less generous than the yield on recent triple-A issues such as the EBRD's latest deal.

Deutsche Bank London, which is joint lead for the issue with UBS, admitted that "not every bank is pleased with the price".

However, it claimed that with the joint leads' very strong retail network, the deal would be placed "almost entirely" with retail investors.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Banco Rio de la Plata	150	(a)#	(a)R	Jul.1998	1.25R	+350(5¼%-98)	Goldman Sachs Intl.
Banco del Sud	35	10#	101.79R	Jul.1995	1R	+505(4¾%-95)	West Merchant Bank
STERLING							
Woolwich Building Society(b)‡	50	(b)	100	Jun.1997	-	-	Samuel Montagu & Co.
FRENCH FRANCS							
Crédit Lyonnais(c)	500	7	97.12R	Jul.2002	0.375R	+66 (8½%-02)	Crédit Lyonnais
YEN							
Republic of Italy(d)	150bn	5.125	99.474R	Jul.2003	0.325R	+72 (5½%-02)	Nomura International
Tsumura and Co.(e)§	15bn	2.125#	100	Sep.2000	2.5	-	Nikko Europe
ITALIAN LIRA							
UBS Finance, Neths.	250bn	9.25	99.5R	Aug.2000	0.3R	-	Deutsche Bank London
SWISS FRANCS							
Nippon Ceramic Co.(f)φ*	70	1.125	100	Jul.1997	-	-	Daiwa Secs. Bank(Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. φWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today. Plus 5 days accrued interest. b) Block trade, fungible with £125m launched on 9/6/93. Plus 29 days accrued interest. Coupon pays 3-month Libor + 0.1875%. c) Issue launched on 24/6/93 was increased to FFr3.5bn. d) Short 1st and 2nd coupons to 29/10/93 and 29/7/94 respectively. e) Fixing: 16/7/93. Callable, subject to 130% rule, from 1/10/94 at 101% declining ½% annually. f) Fixing: 21/7/93.

Japan eases curbs on foreign borrowers

JAPAN'S Ministry of Finance has eased restrictions on Euro-yen bond issues by foreigners and overseas bond issues by Japanese companies, Reuter reports from Tokyo.

An MoF official said the deregulation will allow foreign governments and institutions without a credit rating to issue Euroyen bonds.

He said the requirements were scrapped as foreigners wishing to tap the Euroyen bond market tended to receive a credit rating automatically.

The MoF will also allow Japanese corporations to issue foreign bonds overseas under a programme through which issuers can launch bonds quickly up to a certain ceiling whenever conditions are favourable, the official said.

This is expected to shorten the time that it will take to issue foreign bonds from the current 20 days to three days and at the same time reduce the costs of documentation.

But the MoF will leave in place rules that require issuers to present a statement of each bond issue to the ministry, he said. The system will be useful for firms that often raise funds outside Japan.

The MoF official said there were not so many firms hoping to use the new system, but that there was some demand.

Up to now, overseas subsidiaries of Japanese firms have been allowed only to issue bonds abroad under a medium-term notes programme.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 12, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)	COUNTRY		£ STG	US $	D-MARK	YEN (X 100)	COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights July 8, 1993 United Kingdom £0.934522 United States $1.38539 Germany D Mark 2.36356 Japan Yen150.483
European Currency Unit Rates July 12, 1993 United Kingdom £0.763104 United States $1.12787 Germany D Mark 1.96381 Japan Yen123.784

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. [illegible]

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday July 12, 1993

هكذا عند الأصل

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

[illegible]

© The Financial Times Ltd., 1993. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by International Securities Market Association.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	5	13
Other Fixed Interest	3	0	12
Commercial, Industrial	215	316	577
Financial & Property	110	159	528
Oil & Gas	21	13	49
Plantations	0	1	7
Mines	49	17	72
Others	63	33	43
Totals	521	544	1,601

LONDON RECENT ISSUES

EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

For an explanation of other symbols please refer to The Guide to The London Share Service.

TRADITIONAL OPTIONS

- First Dealings July 12
- Last Dealings July 23
- Last Declarations Oct. 14
- For settlement Oct. 25

3-month call rate indications are shown in Saturday editions.

Calls: Avesco, Gluff Res., Cray Elect., Essex Furn., Hanson Wts., Hay (N.), Microfocus, Owners Abroad and Seafield. Put: Microfocus. Put & Call: Alphameric.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. All rights reserved.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The Financial Times Limited 1993. All rights reserved.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 Indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LIFFE EQUITY OPTIONS

[illegible]

July 12 Total Contracts 16,411
Calls 11,419 Puts 4,992
FT-SE Index Calls 2,631 Puts 1,434
Euro FT-SE Calls 571 Puts 440
*Underlying security price. †Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Jul 12	Day's change %	Fri Jul 9	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.58	+0.06	128.51	1.97	5.94
2	5-15 years (23)	151.24	+0.21	150.92	2.50	6.65
3	Over 15 years (9)	164.29	+0.30	163.80	2.20	5.77
4	Irredeemables (6)	186.01	+0.45	185.18	1.68	7.35
5	All stocks (63)	146.95	+0.18	146.69	2.27	6.34
	Index-Linked					
6	Up to 5 years (2)	186.15	+0.04	186.07	1.34	1.82
7	Over 5 years (11)	175.81	+0.05	176.02	0.58	2.92
8	All stocks (13)	176.07	+0.05	176.25	0.66	2.80
9	Debs & Loans (65)	133.98	+0.33	133.54	2.53	5.59

AVERAGE GROSS REDEMPTION YIELDS

			Mon Jul 12	Fri Jul 9	Year ago (approx.)
	British Government				
1	Low	5 years	6.75	6.78	8.30
2	Coupons	15 years	7.82	7.86	8.70
3	(0%-7¾%)	20 years	7.98	8.02	8.70
4	Medium	5 years	6.91	6.93	9.17
5	Coupons	15 years	7.92	7.95	6.93
6	(8%-10¾%)	20 years	8.04	8.07	8.89
7	High	5 years	7.09	7.11	9.38
8	Coupons	15 years	8.18	8.21	9.08
9	(11%-)	20 years	8.22	8.25	9.81
10	Irredeemables(Flat Yield)		8.14	8.18	9.00
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.92	2.93	3.94
12	Inflation rate 5%	Over 5 yrs.	3.51	3.51	4.31
13	Inflation rate 10%	Up to 5 yrs.	2.20	2.21	3.14
14	Inflation rate 10%	Over 5 yrs.	3.33	3.33	4.11
15	Debs &	5 years	8.41	7.98	10.39
16	Loans	15 years	8.88	8.92	10.21
17		25 years	9.07	9.09	10.09

Menzies 'a step more than satisfactory' with £30m

By Peter Pearse

RESULTS of John Menzies for the year to May 1 were "just that step more than satisfactory", Mr Ranald Noel-Paton, group managing director of the retail and wholesale group, said yesterday.

Pre-tax profits under FRS 3 jumped 85 per cent from £30.7m to £16.6m, reflecting heavy restructuring costs a year earlier. Mr Noel-Paton said pre-tax profits from continuing operations under previous accounting standards grew at a more modest 17 per cent to £30.1m (£25.7m). Turnover was £1.17bn (£1.1bn).

Distribution services drove the profits advance with a rise from £18.5m to £20.9m at the operating level on turnover ahead at £768.1m (£705.5m). Mr Noel-Paton expected the MMC investigation into news wholesaling to be published about September.

Sales volumes and profits fell at TBD largely because of poor demand for music. Total Book Distribution, now folded into TBD, saw book sales rise 10 per cent. On a like-for-like basis Universal Office Supplies lifted sales 12 per cent, though including the acquired RMG they rose 22-23 per cent.

Operating profits on the retailing side slid to £11.1m (£11.3m) on increased turnover of £375.7m (£356.2m). Here progress at Early Learning Centre, where sales were up 12 per cent and profits "almost in proportion to sales", was offset by a "slight" profits fall and 3.5 per cent sales growth at John Menzies Retail.

Mr Noel-Paton said the 156 non-confectionery/tobacco/newspapers and non-station bookstall outlets in the 274-strong chain were to be revamped away from a generalist to a multi-specialist approach.

Cash flow was a bright point, enabling borrowings to be reduced by £18m to about £8m, said Mr Noel-Paton. Consequently interest charges tumbled to £1.9m (£4.1m).

FRS 3 earnings leaped to 35.3p (15.5p) and continuing earnings to 34.6p (28.4p) per share. The annual dividend is lifted to 10.8p (10p) with a 7p final.

● COMMENT

Thought of as solid, rather than adventurous, Menzies' management has at last grasped the nettle at JM Retail, installing a new managing director with a brief to give it an identity on the high street. To help with this, capital expenditure is expected to rise from £15.5m this time to £20m. However, the chain operates in a dull market – especially newspapers and music – and the scope for improvement may be narrow. the wholesale side remains impressive, illustrated by the – admittedly acquisition-driven – 20 per cent sales growth at UOS in a tricky market. The unknown quantity is the outcome and fall-out of the MMC report, though it's likely to be neutral or worse. Assuming about £32m pre-tax pencilled in for the current year, the group is on a prospective p/e of 13.3. The shares are near the sector rating and perhaps have run ahead of themselves.

Ellis & Everard declines 3% and warns of price pressure

By Roland Rudd

ELLIS & Everard, the chemicals distributor, yesterday warned of continuing pressure on prices as it announced a 3 per cent fall in pre-tax profits for the year to April 30.

Mr Peter Wood, chief executive, said: "There is a lot of pressure on pricing which is in the hands of the manufacturers."

Profits fell from £12.6m – before exceptional losses of £9.6m – to £12.2m after reduction and rationalisation costs of £1.4m (£1m). Group sales rose to £394.6m (£383.4m).

The departure of the former chairman Mr Michael Marshall accounted for £350,000 of the costs; the rest was divided between redundancy payments – 300 jobs were shed – and rationalisation expenses.

Turnover in the UK increased to £145.2m (£133.1m) and operating profit was up 1 per cent to £9.5m.

In the US, sales rose from £389.7m to £352.4m (£235m) and operating profit increased by 13 per cent to £9.9m as the number of operating sites was cut by 7 to 30.

European sales fell to £33.3m (£40.3m) showing breakeven at the operating level. The pool division, which makes and supplies accessories and chemicals for swimming pools, was still in loss. The Spanish operation also recorded a loss and was merged with Cat, a Spanish distributor.

Borrowing remain static at £9.1m, representing 13 per cent of shareholders' funds.

Earnings per share fell to 10.3p (11.5p adjusted for the exceptional items). The final dividend is maintained at 4.8p, making an unchanged 7.05p.

● COMMENT

The price recovery longed for by Ellis & Everard is unlikely to materialise in the short term. US chemical prices, which fell by a further 5 per cent over the last year, show no signs of improvement. As a distributor the company can only look on as the manufacturers battle it out. At least volume gains suggest that customers and suppliers are making increasing use of distributors. By facing up to a number of problems nearer to home, such as the loss-making pool side and the Spanish operation, it will be in a stronger position to produce better figures next year. Analysts expect full year pre-tax profits of £14.5m, which put the shares – down 2p to 209p – on a prospective multiple of 17.4. That still looks too demanding against the market sector average of 14.5.

Smith's creditors mount challenge

By Peggy Hollinger

CREDITORS of Mr Clive Smith, the Midlands entrepreneur who recently avoided bankruptcy after incurring debts of more than £20m, are mounting a challenge to the individual voluntary arrangement which allows him to repay just 8.13p in the pound.

Their appeal will be based on a clause in the insolvency act which allows court intervention if material irregularities at or in relation to a creditors meeting could be proved. The hearing is set for August.

The challenge follows the creditors' meeting last month at which a majority of the debt was voted in favour of Mr Smith's proposals. However, disputing creditors are thought to be raising questions over the validity of debt claims from an offshore company linked to an associate of Mr Smith.

Richard Pearce & Sons, a Hong Kong-based company with an Irish address, is Mr Smith's largest creditor, with claims of £12.3m. Mr Kelvin Myles, who shares the same Irish address and has managed many of Mr Smith's offshore interests, has refused to identify Richard Pearce's owners to other creditors.

At the creditors meeting last month Mr Smith denied he had any connection to Richard Pearce. The proxy vote in favour of the IVA was cast by Mr Graham Wilson, Mr Smith's insolvency practitioner. Mr Wilson, who was arrested last year on suspicion of defrauding creditors in an insolvency procedure, is currently on police bail awaiting possible charges.

Mr Smith's creditors include the Inland Revenue, owed £1.3, Societe Bancaire de Paris, £1.5m, and accountants Moore Stevens with £199,935. Creditors also include Mr Robert Pollock, the former chairman of Alpine Double Glazing, whose mortgage was guaranteed by Mr Smith's family vehicle, Finchley Investments.

Virgin claims BA incentives unfair

By Daniel Green

MR RICHARD Branson, chairman of Virgin Atlantic Airways, yesterday accused British Airways of more dirty tricks, including offering unfair incentives to travel agents to push BA at the expense of other carriers.

Mr Branson has complained to the European Commission, alleging that BA offers large corporations and travel agents financial incentives which contravene EC competition laws.

"Some travel agency staff are sometimes encouraged to offer products which are neither the best quality nor value for their customer ... to reach (a) target," Mr Branson said. Upon achieving that target the agent would be paid a "kick back".

BA said it would not be appropriate to comment. It was "not aware of the details of the allegations, nor have we been contacted by the EC". The complaint to the EC follows a series of actions by Virgin.

Dirty tricks cloud the horizon

Daniel Green on the issues raising a storm at British Airways' AGM

LORD KING of Wartnaby will have a front row seat today to see Sir Colin Marshall, his successor as chairman of British Airways, defend the airline publicly against allegations of "dirty tricks" on Virgin Atlantic Airways.

In his first British Airways annual meeting as merely a VIP he will expect a spirited performance from his protege.

He should not be disappointed. Sir Colin will make his account of the Virgin affair a central plank of his speech to the 1,000-plus shareholders crammed into London's Barbican Centre.

But Sir Colin's task will not be made easier by some carefully planned questions from the floor. The company has received questions from more than 2,000 shareholders, one third of which relate to the Virgin affair.

Although BA has already apologised to Virgin for the campaign, which involved the misuse of computer information on Virgin's passengers – and paid £600,000 to the airline – it faces further legal action in the UK and Brussels.

BA's board has denied involvement in this misuse of passenger information, which was said to have been carried out by junior staff.

However its position may be attacked by questions from Mr Brian Basham, who was sacked at the start of the year as public relations adviser to British Airways for his part in the dirty tricks campaign.

Mr Basham has submitted four questions to be answered at the annual meeting. In a letter to Sir Colin detailing the questions, he says: "it remains entirely implausible to me ... that you could not have known" of the misuse of computer data.

Mr Basham has sent copies of this letter to institutional investors in the airline and outlined further charges against Sir Colin.

Such accusations are likely to distract from what should have been a triumphant debut for the new chairman.

While almost every airline in the world has struggled against recession and overcapacity, the past year has seen BA consolidate its position as the western world's most profitable airline. Sir Colin has taken advantage of this financial strength to push ahead with a plan to create the world's first global airline.

Since the last annual meeting, BA has taken a £198m stake in USAir, and paid £304m for 25 per cent of Qantas, the Australian carrier. It has bought into TAT, the French regional carrier, into Delta, a German airline, and taken over the loss-making operations of Dan-Air, the UK carrier based at London's Gatwick airport.

To pay for it all, BA successfully raised £442m from its shareholders in a rights issue.

On the industrial relations front, the company has overcome strikes by some of its staff with apparently little lasting damage.

Sir Colin has also begun to impose his own personality on the business shaped by Lord King, who took it from a mediocre state-owned enterprise into one admired by the world's airline entrepreneurs.

Since Lord King left the board in March, allowing Sir Colin to move up from chief executive, two new independent non-executive directors have been appointed. They are Baroness O'Cathain, the managing director of the Barbican Centre, and Mr Charles Mackay, chief executive of Inchcape.

With these changes, the British Airways that Lord King constructed during his 11 years in power is beginning to change.

But one feature of the company that may not be so easy to alter is the liveliness, even rowdiness, of the airline's annual meetings.

Lord King thrived in those meetings, becoming known for his brusque and often witty control of questioners.

The quieter Sir Colin may have cause today to search for a similar fund of stage skills.

Sir Colin Marshall: spirited performance expected

Spring Ram chief awaits fate

By Andrew Bolger

The fate of Mr Bill Rooney, chairman and chief executive of Spring Ram, is likely to be decided at a board meeting of the bathroom and kitchens group tomorrow

Prudential Corporation, the group's biggest institutional shareholder, wants to see the departure of Mr Rooney, who yesterday returned early from a holiday in Barbados to fight for his future in the company, which he co-founded.

Sources close to the company suggested that the other executive directors would not wish to work with an imposed chairman, but the Prudential seems confident that its views will prevail.

Spring Ram's shares yesterday closed 5½p higher at 54p, well below last year's peak of 181p.

The shares have collapsed because of three profits warnings in eight months, the most recent a fortnight ago.

Dunedin launches Japan trust

By Scheherazade Daneshkhu

Dunedin Fund Managers yesterday launched, via a placing and offer for subscription, a new closed-end Japanese investment trust which hopes to raise up to £40m.

Dunedin Japan Investment Trust, which will invest for long term capital growth in Japanese companies, is issuing up to 8m units. Each comprises 5 shares with one warrant attached at 500p per unit. Each warrant will carry the right to subscribe for one share in any September from 1995 to 1999 at 100p per share.

The sponsors, UBS, has arranged a placing of 2.36m units; the remaining units are available for public subscription. It had succeeded in placing £14.3m with institutions.

For the first five years of the trust's life, Dunedin will donate 35 per cent of its 1 per cent annual management fee to Barnardos, the charity. Minimum subscription for the offer which closes on July 23 is £250.

Sema sells stake in subsidiary

SEMA GROUP, the Anglo-French computing services company which is quoted in London, has sold a 24.5 per cent interest in Sema Group *Facilities Management*, its UK-based outsourcing arm, to FT LIS – a wholly owned subsidiary of France Telecom – for £8.77m.

The sale is being arranged through the creation of a UK joint venture company in which Sema and FT LIS will have equal shares and which will own 49 per cent of SGFM.

Sema, which has built up a *strong position in the fast* expanding UK market for facilities management, will retain ownership of 75.5 per cent of the subsidiary.

The facilities management operations made pre-tax profits of £3.7m in the year to end-December and had net assets of £2.61m.

The move was welcomed in the market yesterday where Sema's share price gained 10p *to close at 371p. Sema said* it will use the proceeds of the sale for further development of its activities.

The UK joint venture represents the latest in a growing number of links between Sema, which wants to expand its communications related operations, and the French telecommunications group, which is eager to develop its international business.

In October FT LIS acquired an indirect stake in Sema after it established a joint venture company with Paribas to hold the French bank'e 39 per cent shareholding in Sema. France Telecom owns a 49.9 per cent stake in the holding company.

Following that agreement Mr *Charles Rozmaryn, head of* France Telecom, and Mr Michel Huet, head of FT LIS, joined the Sema board.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barr (AG)	int	1.75	Aug 13	1.75	-	6.5
Border TV §	fin	2	Oct 11	1.6	3.3	2.7
Daejan	fin	15	Oct 1	13	27	25
Dalepak Foods	fin	4.5	Oct 1	4.5	8	6
Ellis & Everard	fin	4.6	Oct 15	4.8	7.05	7.05
Low & Bonar	int	2.9†	Oct 4	2.7	-	9.1
Menzies (John)	fin	7	Oct 29	6.4	10.8	10
Merchants Trust大	int	2.65	Aug 27	2.65	-	10.6
MFI	fin	2.5	Oct 1	Oct 1	3.75	-
Reject Shop	fin	1	Nov 9	2.1	1.5	3.15
Tomkins	fin	4.545†	Oct 7	4.05*	6.35	5.67*

Dividends shown pence per share net except where otherwise stated. *Adjusted for scrip issue. †On increased capital. §USM stock. 大First interim.

Disposal gives boost to Daejan

Bolstered by a £2.53m surplus on the disposal of a subsidiary, pre-tax profits of Daejan Holdings, the property gronp, rose by £2.8m to £16.7m in the year to end-March.

Gross income for the year increased from £22.1m to £23m, and at the operating level profits from continuing operations improved to £18.5m against £18.2m.

The accounts have been prepared on an FRS 3 basis.

The interest charge rose to £5.06m (£4.35m) and tax took £3.5m (£5.32m).

The company said that the UK investment portfolio had been professionally valued at the year-end and the resultant decrease of £1.1m had been incorporated into the accounts.

A final dividend of 15p (13p) ie proposed for a 27p (25p) total.

The dividend is three times covered by earnings per share of 81p.

Tomkins keeps earnings promise

By Richard Gourlay

TOMKINS, which reported pre-tax profits up 29 per cent to £171m yesterday, has always said ite aim is to prodnce above average increases in earnings per share.

Yesterday, on cue, it showed a 4 per ceot rise compared with e UK average decrease of 3.8 per ceot and, for good measure, a 21 per cent lift in the dividend, compared with a UK average fall of 7.6 per cent.

But rather than welcome the news, the market promptly clipped 5 per cent off the share price.

For some time Mr Greg Hutchings, chief executive, has been able to rely on his track record and exhortations to "trust us".

While this record has indeed been impressive, investors who dipped deep in their pockets to fund the £935m RHM acquisition appear disappointed they bave been given so little ammunition with which to judge for themselves Tomkins' prospects – at RHM and at the existing husinesses.

The first disappointment revolves around Tomkins' failure to produce a figure for fair market adjustments at RHM, *seven months after the company* was acquired.

Mr Ian Duncan, finance director, provided half an answer yesterday. While praising the calibre of the accountants at RHM, he said the reporting systems were inadequate. *The extent of the fair* value provisions will, in any case, be resolved wlth six weeks when the accomts are published.

Nor has Tomkins set down any milestones in the reorganisation of RHM, against which the outside world can judge Mr Hutchings and his team. Analysts said this might be a result of caution, but when a business is as closely followed as the milling and baking industry is in the UK, the absence of a clearly spelled out strategy for reorganisation is *likely to lead* to unease.

At the operational level in the existing businesses, the company is little more specific abont the last year or prospects.

Operating margins in the non-RHM business slipped *slightly to* 9 per cent last year with margins down in three of the four divisions. Fluid controls, services to industry and professional, garden and leieure products saw reduced margins.

Margins were under pressure in the UK and the US to varying degrees, and Tomkins said it has seen no strong evidence yet of a recovery of industrial or consumer confidence.

The industrial products division improved margins from e strong base on strongly increased salee – up 23 per cent – as the group benefited from operational gearing born of investing in low cost production during the recession.

Mr Hutchings has identified his main product as financial performance. With the share price under eome pressure, holders are sending a clear signal that they want to know more about how that performance is to be achieved.

COMPANY NEWS: UK AND IRELAND

Low & Bonar advances 21%

By Paul Taylor

LOW & Bonar, the international packaging and materials group, yesterday reported a 21 per cent increase in interim profits, reflecting improved operating margins following a restructuring programme.

The Dundee-based group, which has also made two significant acquisitions in the UK carton sector in recent months funded by a £50.2m rights issue in April, reported pre-tax profits of £14.3m for the six months to May 31, up from £11.8m a year earlier.

Turnover improved 13 per cent to £171.1m (£151m), boosted by the acquisitions, which added £4.87m, and by currency translation movements. Sales volumes were flat.

An interim dividend of 2.9p (2.7p) is payable from earnings per share ahead 14 per cent to 10.22p (8.94p restated).

Mr Jim Leng, who took over as chief executive last year, said the improvement in earnings had been delivered "in tough market conditions, particularly on the Continent."

Group operating profits increased by 28 per cent to £16.3m (£12.8m), including £857,000 attributed to acquisitions. Currency movements accounted for a further £1m of the gain, although strong currencies adversely affected a number of the group's Continental businesses. Overall margins increased from 8.6 per cent to 9.5 per cent.

European profits rose by 20 per cent to £13.2m (£10.9m) with Bonar Cereal Packaging, acquired from Kellogg in April, making "an encouraging" first contribution. The UK now accounts for nearly two thirds of European profits.

European margins improved from 10.6 per cent to 11.2 per cent helped by a continuing cost reduction programme.

North American profits rose by 88 per cent from £2.2m to £3.7m following a restructuring programme begun in the second half of last year which helped lift margins from 4.4 per cent to 7 per cent.

The higher operating profits were partly offset by increased interest charges of £2.02m (£1.24m) reflecting acquisition payments made in May last year. Following the rights issue at the end of April net borrowings fell to £18m (£37m), equivalent to gearing of 11.2 per cent.

● COMMENT

The new management team is beginning to deliver the margin and profit improvements that Low & Bonar needed. Costs, including the headcount, are being cut and the North American operations have been turned around. The acquisition last month of CMB Carton Systems for £17.35m has introduced leading packaging systems technology into the carton division which is now underpinned by a five-year supply contract with Kellogg. Analysts were raising their profit forecasts yesterday and profits before tax could reach £31m this year, producing earnings of 20.8p per share and a prospective multiple of 16.6. The share price has been rising, but could still go higher.

Avonmore buys Dairy Crest arm for £20m

By Maggie Urry

AVONMORE FOODS, the Irish dairy and meat group, has moved into fifth place in the UK liquid milk market with the £20.5m purchase of two dairies and 32 distribution depots from Dairy Crest, the milk and dairy products side of the Milk Marketing Board.

The dairies are in Birmingham and Hereford, and mainly supply doorstep deliveries. Avonmore is already strong in Birmingham and the West Midlands and has a sizeable business with supermarkets in the area. It also wants to expand in the south.

Dairy Crest is reconfiguring its milk capacity as a result of the falling volume of milk sold on doorsteps and the shift to producing for supermarkets. It has also completed its sale to Unigate of Marshfield Dairy in Cardiff.

Mr Pat O'Neill, Avonmore group managing director, said the changes in the UK milk industry, which will take place next year when the MMB is abolished, presented Avonmore with an opportunity to use skills developed in Ireland where the industry has been deregulated for over a century.

The acquisition will give Avonmore an extra 39m gallons of liquid milk volume, taking its total to over 88m gallons, or 7 per cent of the UK liquid milk market.

Avonmore also buys milk for cheese manufacture, and, with the liquid milk, will buy a total of 130m gallons a year.

The businesses Avonmore is buying have net assets of £19.7m, and make annual sales of £87m and pre-tax profits of £4.6m. Avonmore is paying £10m on completion with a further £10.5m next January. Mr O'Neill said the group's cash flow would cover the consideration without raising gearing, currently 65 per cent.

Avonmore said the integration of two dairies in Wiltshire and Hampshire acquired last November was proceeding to plan.

Avonmore shares rose 7p to 150p.

Dalepak reduced to £2.2m after second half setback

By Maggie Urry

FIERCE competition in the food industry, higher meat prices and teething troubles with a new freezer plant hit profits of Dalepak, the frozen foods and ready meals maker.

At the pre-tax level they dropped from £3.93m to £2.21m over the year to April 30.

In the second half pre-tax profits fell from £2.2m to £600,000, after £1.6m (£1.7m) for the opening period.

The group warned in March that profits would be significantly below market expectations at that time, but indicated that the dividend would be maintained.

Yesterday that promise was kept with the recommendation of a 4.5p final to give an unchanged total of 6p. With earnings per share down from 23.01p to 13p, the dividend is still covered 2.2 times.

Margins were affected in the second half by "substantial increases in meat raw material prices" triggered by sterling's devaluation last September. Those higher costs could not be fully recovered through increased selling prices.

Dalepak did not say how much delays in commissioning the new freezing plant had cost.

The shares have fallen from a peak of 383p in January, when the interim profits were announced, making Dalepak one of the worst performers in the market in the first half of the year. Yesterday the shares fell again, closing at 193p, down 12p.

Sales rose 4 per cent to £42.2m, but the financial year covered 53 weeks and on a comparable 52-week basis they were 2 per cent higher. In frozen meat grill steaks, where Dalepak is the market leader, sales were slightly up, but in vegetable products there was a fall, despite a 17 per cent growth in the market.

Trading profits fell from £3.96m to £2.48m, with margins down from 9.7 to 5.9 per cent. Interest rose from £33,000 to £268,000 reflecting a two-year £7.3m capital expenditure programme.

The group said trading conditions remained difficult, although meat prices had stabilised. New products had been introduced and the completion of the new plant should bring cost savings.

Gearing at the year end was just below 40 per cent (23 per cent).

BAA may redevelop US airports

By Daniel Green

BAA, the UK airport operator, is in talks with several large US airports including Chicago's O'Hare, the world's busiest, and New York's JFK, over redeveloping the airports.

The company wants to take an equity stake in an airport or buy a lease on a terminal. A deal could be signed in the second half of 1994.

The move would extend BAA's presence in North America beyond Pittsburgh Airport where last October it opened a £4m shopping mall.

Since then, the average amount spent by a passenger at the airport has more than doubled to $6 (£4) and BAA sees the project as a success.

The company is only in talks with international airports. That is where its experience lies and where it can build lucrative duty free shops.

The Pittsburgh project has also served to introduce UK retailers such as WH Smith to US airports and US retailers to the UK. TGI Friday's, a US restaurant chain, now has an outlet at BAA's Heathrow Airport.

AG Barr hit by sugar price

By Catherine Milton

AG BARR, the soft drinks company which bills its best known product as being made in Scotland from girders, was hit by high sugar prices in the half year to May 1 and pre-tax profits fell from £3.05m to £2.1m.

Mr Robin Barr, chairman of the company which makes Irn-Bru and Tizer, said that by February 1993 the fall in the value of the Green Pound, following the UK's departure from the ERM in September, resulted in an 18 per cent increase in the price of sugar.

He said the decline in profits was exacerbated because comparative figures included a £409,000 surplus on the sale of the investment in Taverners, a confectionery company.

Group turnover fell to £42m (£42.4m), an increase in sales of Barr's brands being offset by a decrease of retailers' own label products.

Mr Barr said turnover in the nine weeks since May 1 had been well below last year, when the weather was exceptionally favourable. The "better spell of weather" recently was encouraging, he added.

Operating profits fell to £2.49m (£3.27m) and interest charges dropped to £389,000 (£624,000).

Mr Barr said: "We borrowed less money. We did borrow money from the bank some five years ago to fund an acquisition. We are always cash generative each year and we have gradually paid the bank loan."

The interim dividend is maintained at 1.75p payable from reduced earnings of 7.67p (10.74p) per share.

Debt precludes dividends at Lep

By Andrew Bolger

LEP GROUP, the freight forwarding and security company, said that its heavy debt burden effectively precluded any prospect of a return to dividend payments in the foreseeable future.

Mr David James, the company doctor appointed chairman when Lep was last year restructured by its banks, also told yesterday's AGM that a rights issue was not an option.

He said: "The most logical alternative is that the board will seek to develop, as best as possible, the vitality of the core subsidiaries in order that they themselves may, at some future date, be divested from the group to realise their value."

Lep may float off all or part of the equity in core businesses to reduce its deht of £385m. Mr James said £143m of the debt was wholly used as working capital in the remaining trading subsidiaries. The balance of £242m was within the parent company and mainly reflected past losses incurred in closed or divested activities.

Mr James believed the stage was set for recovery of the group, but the timing would depend on a lifting of recessionary conditions in continental Europe.

"The performance of our company in the east has been excellent and there has been a strong recovery in North America. The recessionary conditions in Europe remain much more severe than many politicians would admit."

Monarch sees upturn from Revemin plant

By Kenneth Gooding

MR MICHAEL Beckett, chairman of Monarch Resources, the London-quoted gold company with activities in Venezuela, told the annual meeting that the Revemin processing plant, which suffered a loss of $1.34m (£1.22m) last year, would return to "significant profitability" after a new hard-rock crushing plant began operating next month.

Mr Anthony Ciali, chief executive, said later that Monarch had located at its Canaima concession 75,000 tonnes of hard rock containing 9.7 grams a tonne, enough to keep Revemin going for a year, and for the first time Monarch would "be in charge of its own destiny for feed for Revemin."

A special task force had been established to identify more high-grade, hard rock feed resources for Revemin from the group's concession holdings and from third parties.

Mr Beckett said he expected the second call of the recent rights issue to be fully taken up. The 20p a unit second instalment, due by July 30, involved holders paying a total of 65p a share compared with a recent market price of 180p.

This $10m net would help finance the La Camorra gold mine, development of which was under budget and ahead of schedule.

He recalled that the mine, set to start up in June next year, would be one of the world's lowest-cost gold producers with cash costs predicted to be $115 a troy ounce.

With projected annual output of 86,000 tonnes for four years, La Camorra would generate a great deal of cash – for a company of Monarch's size – to be used for further projects in Venezuela and, possibly, Mexico and North America.

Mr Ciali said Monarch's exploration expenditure would remain relatively high this year at about $2.5m and be concentrated mainly in the La Camorra area, where there was a good chance of more ore being discovered to lengthen the life of the mine.

Reject Shop shows 49% decline

THE REJECT Shop announced a profits fall of 49 per cent and a dividend cut of 52 per cent for 1992-93, and warned that trading circumstances surrounding its sector were likely to continue into 1994.

The company felt that its market, consisting of 18-35 year old customers predominantly from the south-east, had been more affected by recession than others.

For the year to March 21, pre-tax profit came to £346,000 (£682,000) and earnings per share worked through at 2.52p (4.47p). The final dividend is cut to 1p for a total of 1.5p (3.15p).

Turnover rose to £22m (£20.7m) through new store openings. Action had been taken to market more positively the company's products with the introduction of a furniture catalogue and other initiatives.

There had been some growth in London, a substantial increase in sales of some furniture ranges, and a higher take up of credit.

NEWS DIGEST

Exceptionals slow growth at Border

BORDER Television, the Carlisle-based ITV company, reported profits of £1.25m pretax for the 12 months to April 30 – a rise of just over 2 per cent on the comparable £1.22m. Turnover fell from £11.8m to £11m.

Melvyn Bragg: expectation of real growth in second half

The outcome, however, was struck after exceptional charges of £501,000 related to redundancies; profits at the operating level showed a 44 per cent jump to £1.75m.

Mr Melvyn Bragg, chairman, said that while the early weeks of the current year matched the previous period, "there are signs that the economy has stabilised which leads to an expectation of real growth in the second half".

A recommended final dividend of 2p brings the total for the year to 3.3p (2.7p), covered 2.5 times by earnings of 8.3p (7.6p).

Seafield gearing up for battle

Mr Brian Chilver, chairman of Seafield, the Duhlin-based transport, warehousing and property group, has emphasised the board's intentions to defeat the proposals by Waterglade International.

"We have a clear strategy for growth and during the next few weeks we will tell our shareholders why they should support the board", he said.

Waterglade wants an extraordinary meeting, yet to be fixed, to seek the removal from the Seafield board of Mr Chilver, Mr David Burke, and Mr Dsvid Stacey. In their places it proposes Mr David Cunningham, Mr Thomas Megas, Mr Peter Voller, and Mr David Grove, all directors of Waterglade.

Mr Chilver felt "very uneasy at these underhanded attempts to gain control of companies without making a cash bid.

"Waterglade's directors should be clear – Seafield will be no push over".

Lyons buys German biscuit manufacturer

Lyons, the food manufacturing operation of Allied-Lyons, has bought A Krombach, a German biscuit maker.

The move forms part of Lyons' strategy of expanding in continental Europe and gives the company its first food manufacturing base in Germany.

Krombach will become part of Lyons Continental Bakeries, which currently operates 10 factories in Benelux and France. The consideration is not material in relation to Allied-Lyons' assets.

Aviva Petroleum $11.5m placing

Aviva Petroleum, the Dallas-based oil and gas exploration and production company, has completed a 12.9m common share placing at 85 cents per share with a group of US institutions and private investors, to raise $11.5m (£7.6m).

Aviva also reported that Ecopetrol, the Colombian national oil company, has declared the Mary and Miraflor fields to be commercial and therefore will contribute 50 per cent of the costs of developing and placing these fields on production.

The company expects to develop the two fields during 1993 and 1994 and to have a pipeline system in place by the middle of next year.

Aviva said that the Miraflor North No 1 exploration well reached a total depth of 6,040 ft, and production casing has been set.

Halved outcome at Optometrics

Optometrics saw pre-tax profits halved in the year ended March 31, from $200,000 to $103,000 (£69,640).

Mr Frank Denton, chairman of this USM-traded company, said the year was one of investment for growth. Significant resources were committed to the acquisition of new technologies, product development and publishing of new catalogues. Operating expenses were up to $1.07m ($858,000) against sales virtually unchanged at $3.58m.

The maasures taken were beginning to impact positively. "We look forward to a strong first half", Mr Denton said.

First quarter shipments were "comfortably ahead" but orders booked were running more than 40 per cent over a year ago.

Earnings per share came through at 0.7 cents (1.4 cents).

Fleming Geared shows decrease

Fleming Geared Income & Assets Investment Trust reported a net asset value of 260.9p per share at May 31, against 278.5p a year earlier. The fully diluted figure dropped from 250.2p to 236.7p.

Net revenue slipped from £3.31m to £3.01m and earnings per share were 7.77p (10.65p). Dividends totalling 7.6p (same) have already been paid for the period.

Equity Consort asset expansion

Over the 12 months to April 30 net asset value per ordinary share at Equity Consort Investment Trust rose from 618.3p to 652.7p.

For the deferred shares the value increased from £10.36 to £11.05.

Net income came to £1.46m (£1.52m) and led to earnings of 25.73p (26.38p) for the ordinary and 41.86p (43.76p) for the deferred.

The final dividend is 13.5p for a total of 24.5625p (24.1875p).

Ensor deficit down to £2.96m

Ensor Holdings, tha USM-traded building materials group, reported losses of £2.96m over the 12 months to March 31.

The outcome, which compared with a deficit of £3.03m in the previous year, came on turnover of £35.8m (£46.7m) of which just £13.5m (£13.8m) related to continuing operations, and was struck after a loss of £1.31m on the disposal of discontinued operations. Losses at the trading level increased from £489,000 to £897,000.

Losses per share worked through at 24p (23.5p).

Lightship losses cut to £316,000

Lightship, the financial services group, cut pre-tax losses from £415,000 to £316,000 in the half year to December 31.

Losses per share were down from 7.49p to 5.69p.

Directors said the reconstruction and other material events being worked on would be passed to shareholders as soon as possible.

Against the loss was charged £411,000 (£835,000) for exceptional items and £435,000 (£1.73m) interest payable.

Continuing operations made a profit of £530,000 (£1.19m) before exceptionals and interest.

Downturn at French arm hits Kingfisher

Shares in Kingfisher fell 11p to 589p yesterday as Darty, the UK retailing group's recently acquired French electrical retailing subsidiary, announced a 0.5 per cent decline in sales in the nine months to May 31.

Darty, which has some 130 stores throughout France, reported that sales for the period had fallen from FFr6.63bn to FFr6.59bn (£758m).

COMPANY NEWS IN BRIEF

ARMOUR TRUST's newly formed subsidiary, Jenolite, is purchasing certain assets and the name and goodwill of Lacro from Lacro International, part of the Satra Group. Lacro comprises a range of car care products.

BARLO GROUP has received acceptances to its open offer in respect of 25.71m new ordinary shares, which together with 7.56m placed firm by Goodbody Corporate Finance, represents 95.06 per cent of issue. The remaining shares havs been taken up by investors under the terms of the placing.

CAIRN ENERGY shareholders have approved the issue by Cairn Energy USA (CEUSA) of 4.75m new shares of common stock and for Cairn to sell up to 1m sxisting shares in CEUSA.

DICKIE (JAMES) has acquired Striker Enginaering for £165,000, satisfied by the issue of new shares at 52.2p each.

EXCALIBER GROUP subsidiary, Mibert Precision, has broadened its gear-making capabilities by purchasing MTS, a local grinding company. MTS will become part of Spencer Gears, one of Mibert's divisions.

FERRARI'S rights issue taken up by 25.7 per cent. Some 39 per cent of the issue had been placed and the balance of 1.4m shares sold in the market.

FIRST SPANISH Investment Trust has received tenders for 13.14m units (46.4 per cent) of 1.5p (gross) per unit convertible unsecured loan stock 1997 for repurchase.

FORTE has a 96.5 per cent holding in French catering company, Corela, after its public bid. Corela, which runs motorway catering facilities, was formerly owned by Accor Unit Compagnie Internationale Des Wagons-Lit Et Du Tourisme, which sold its controlling stake to Forte last December.

JERSEY ELECTRICITY is paying interim dividend of 13p (12p). Pre-tax profit half year ended April 27 1993 was £3.22m (£4.37m). Electricity sales 246m units (236.6m).

LYNX HOLDINGS has received applications for 28.13 per cent of the shares in the recent open offer; balance taken up by sub-underwriters.

MOWLEM (JOHN) Construction is to purchase Noreast Building Management, the Government owned PSA Building Management Organisation, for £8m, to be paid in deferred instalments. The agreement with the secretary of state for the environment also contains provisions for the department to pay up to an agreed figure for any redundancy payments which might arise within the five years after the acquisition.

SOUTHEND PROPERTY says applications from shareholders, together with stock placed firm, total £12.1m (50.48 per cent of the amount offered).

Canada accuses EC over lumber ban

By Bernard Simon in Toronto

THE EUROPEAN Community has banned imports of most kinds of untreated softwood lumber from Canada to protect European forests from a microscopic but voracious pest known as the pinewood nematode. The ban, which was formally notified to EC members last Friday and takes effect on Aug 15, has blown up into the most bitter current trade dispute between Canada and the EC. While EC officials regard the new rules as a plant-health precaution, Canada sees them as a trade barrier.

The Canadians accuse the EC of over-reacting to the nematode threat, thereby endangering the livelihood of many sawmill workers in the provinces of Nova Scotia, New Brunswick and British Columbia. The Canadian high commission in London has already made several direct representations to UK prime minister Mr John Major, asking for the ban to be relaxed. The ban affects the bulk of Canada's C$600m-a-year (£265m) exports of untreated lumber to EC states, of which C$350m is shipped to the UK. Under the new rules, all Canadian lumber exports to Europe, with the exception of cedar, must be either kiln-dried or heat-treated.

EC member states agreed earlier this year to allow an exemption for non-pine species until October 1. But the commission's plant-health committee revoked the exemption late last month after UK authorities discovered the wood-boring insects that carry the nematode in two shipments of lumber from Canada.

The nematode has devastated large tracts of pine forest in Japan, and Canada has acknowledged that pine exports should be heat-treated or dried.

But Ottawa disputes scientific evidence supporting the EC's case for treating other species, such as hemlock, spruce and fir. The EC is unwilling to take the risk of relaxing the ban, but has offered to co-operate in further scientific studies.

The Canadians are concerned that the ban will put their timber at a competitive disadvantage to Scandinavian supplies. Canadian mills will be forced to spend substantial amounts to install kilns or heat-treating facilities.

The Canadian argument has an ironic twist, in that resource industries have for years been urged to put more emphasis on adding value to commodity exports. But by heating or drying their lumber, the Canadian mills face being excluded from the large market for cheap, untreated lumber used, for instance, for cement moulds on construction sites.

Oil price up on Iraq/UN deadlock

By Deborah Hargreaves

NORTH SEA oil prices rose 30 cents after news of deadlock in the United Nations/Iraq oil talks in New York over the weekend saw some traders taking positions in the market early yesterday. But as the talks resumed in the afternoon uncertainty over the outcome reasserted itself and trading dried up.

North Sea Brent crude for August delivery rose to $16.90 a barrel – still close to an 18-month low, but with traders more optimistic about the price outlook.

Although the UN's difficulties with Iraq over weapons inspections are separate from the oil talks, the conflict over the weekend led many traders to increase the odds against Iraqi exports.

Baghdad must agree to allow UN officials to monitor the distribution of food and medical aid purchased with the proceeds of the $1.6bn oil sales under discussion. The details of the monitoring procedure have not been discussed and the talks are believed to have made little progress.

The oil market will still be subject to increased volatility while the talks are under way. But analysts are increasingly seeing the market's reaction to the talks as exaggerated.

"If the talks finish in complete failure, I would expect to see $1 a barrel – if not more – added to the oil price pretty rapidly," said Mr Geoff Pyne, oil analyst at UBS.

China treats foot-and-mouth outbreak as 'state secret'

By Lynne O'Donnell in Beijing

THE CHINESE government is treating as a "state secret" widespread outbreaks of foot and mouth disease on pig farms in the country's south while infected meat is still being sent to market.

Agriculture officials have confirmed outbreaks of epizootic aphthae, which they refer to as "disease number five", in Jiangsu, Guangdong and Anhui provinces. One official in the south-eastern city of Suzhou in Jiangsu, refusing to give details, would say only that it was a "state secret".

The disease is an air-born virus that, while not infecting people who eat the meat of diseased pigs, renders the pork unfit for human consumption. A western agriculture expert based in Beijing said it was standard international procedure to slaughter all infected animals and then incinerate their carcasses.

He said that once epizootic aphthae made an appearance among livestock, it spread rapidly and could be "very nasty". He added that it could easily be prevented with wide-ranging anti-viral drugs not widely used or in some cases even available in China.

Pigs farmers in China's south began slaughtering hogs in large numbers about two months ago, but there has been no suggestion of localised quarantining or of preventing the sale of the infected meat.

Pork is by far the favourite meat of the Chinese. Rising affluence has led in recent years to a drop in pork consumption, though it still accounts for more than 70 per cent of all meat eaten in China.

Figures from the Ministry of Agriculture show that last year China raised 380m pigs, 13.17m in Guangdong and 21.22m in Anhui. Most of the country's pork is produced in south-western Sichuan Province, which is also China's most populous. There have been no reports so far of any foot and mouth outbreaks in Sichuan.

A veterinarian in Nantong city on the Yangste River north of the major port of Shanghai said the disease was "no longer a serious problem in Jiangsu Province". But he said there were outbreaks in Guangdong and Anhui provinces, where substantial quantities of pork are produced for both domestic and export consumption. Officials in both those provinces denied the existence of foot and mouth disease on local pig farms.

The Nantong vet said "disease number five" usually spread through southern pig farms in early spring but pork from infected animals was sent to market, as normal and as a matter of course.

He said details were kept secret because China was "not a signatory to the relevant international agreement that bans the export and sale of infected pork".

Most of the pork consumed in the British colony of Hong Kong and the nearby Portuguese enclave of Macau, both of which border Guangdong Province, is imported from China. China also exports significant quantities to the states of the former Soviet Union and to North Korea, with smaller amounts sold to Japan, Thailand, Singapore, the Netherlands, Germany, France and Czechoslovakia. Last year Hong Kong also imported 25m kg of frozen Chinese pork.

On an average day, 7,686 live pigs cross the Chinese border into Hong Kong, 1,411 from Guangdong. The colony's health department says imported pigs are routinely inspected for foot and mouth disease, as well as other infectious diseases and pest infestations.

The colony's veterinary officer said he had no knowledge of people getting sick from eating meat from pigs infected with epizootic aphthae. "Meat from animals with foot and mouth disease, even accidentally contaminated, rarely cause disease in human beings," the health department said. "There has not been any case [of illness] reported through consumption of meat in Hong Kong."

Olive branch offered in banana dispute

Canute James on a plan for Caribbean/Latin American peace talks

LATIN AMERICAN banana producers have offered an olive branch to their Caribbean neighbours, saying they want to prevent the increasingly strident debate over access to the European Community market from becoming a banana war.

The Caribbeans have grabbed at the opportunity for dialogue and have invited the Latin Americans to a meeting of trade ministers, likely to be held in St Lucia later this month, to discuss the banana market, amid Caribbean hopes that the arguments can be resolved without damage to the islands' exports and their fragile economies.

The appeal for conciliation was made by Mr Rafael Calderon, the president of Costa Rica, to the Caribbean Community (Caricom), when he addressed the community's annual summit meeting. Costa Rica is not a member of the community but is seeking observer status.

"We should resolve this dialogue without a banana war," Mr Calderon said after speaking to the Caribbean leaders. "The fight for just relations with Europe must continue, but there should not be a south-south fight. We back preferences for Caribbean bananas, but we do not want the EC to lower the quantities now exported by Latin America to the EC."

The community's leaders immediately issued the invitation to the Latin Americans to attend this month's ministerial meeting. "There is a glimmer of hope in the Costa Rican statement that a banana war should be avoided," said Mr John Compton, the prime minister of St Lucia, one of the four islands of the Windward group whose economies are heavily dependent on bananas.

The Latin Americans are the more cost-efficient producers

At the heart of the dispute is the new EC banana import regime that took effect at the start of this month, which imposes a 2m-tonnes-a-year quota for Latin American fruit. Shipments within the quota attract a duty of Ecu100 (£77.60) a tonne while for imports above this level the duty is Ecu850 a tonne. Caribbean and other traditional suppliers, such as those in Africa, will have tariff-free access for the remainder of the EC's needs, about 1.5m tonnes a year.

The Latin Americans, who are the more cost-efficient producers, wanted an open market but traditional suppliers to the EC, mainly African and Caribbean countries, said that without protection their industries, and some economies, would be destroyed. Following the recent failure of Germany and the Benelux countries to have the new import regime overturned by the European court, the continuing dispute now hinges on attempts by the Latin Americans to have a panel of the General Agreement on Tariffs and Trade declare the regime untenable.

The immediate concern of the Latin Americans, who shipped 2.4m tonnes of bananas to the EC last year, appears to be what to do with the 400,000 tonnes they will not now be able to ship. Latin American official have said they will lose about US$1bn in export earnings over the next two years.

"The new European regime means lower prices for bananas sold to the United States," said Mr Calderon. "If Latin America has 400,000 tonnes left over after it is allowed to sell its quota to the European market, and this goes to the US market, then that will affect the price of the fruit which Latin America sells to the United States."

Mr Compton maintained that the Caribbean producers, and others in the African, Caribbean and Pacific group of countries, which has a trade treaty with the EC, were under attack from the Gatt, the Latin American producers and the US companies involved in the Latin American banana industry. He said there were already signs of increasing quantities of "dollar" bananas as the Latin American supplies are called, in the European market, and that that was depressing prices.

Caribbean producers have tried, with no apparent success, to recruit the support of the US in the debate over the allocation of market shares. The mood in the region is somewhat bitter. Mr Edwin Carrington, the secretary general of Caricom, said there was "concern" in the region over the position of "friendly countries" such as the US that favoured the Latin American arguments.

The region is clearly not convinced by statements made in Washington a fortnight before the summit by Ms Donna Hrinak, the US deputy assistant secretary for Inter American Affairs, that the US had not taken sides and was not supporting Latin Americans producers to the detriment of those in the Caribbean.

"The EC banana regime is inconsistent with the obligation which Gatt members have, and inconsistent with what we hope will be the outcome of the Uruguay Round talks. When completed, will benefit all trading partners," she said. US officials at the Caricom summit said Washington's position had not changed.

Mr Calderon forecast "victory" for the Latin Americans in their effort to win enough support at the Gatt and "morally oblige the Europeans to negotiate with us, although it is not our intention to harm, in any way whatsoever, the exports of Caribbean countries."

"There is no doubt that we in the Caribbean support open trade and fully support the objectives of the Uruguay Round in GATT," countered Mr P.J. Patterson, Jamaica's prima minister. "Yet, we must find the right balance that allows small exporters to find security in traditional markets."

Futures players line up to trade in Taiwan

TAIWAN, PREPARING to begin trade in foreign futures contracts, has received applications from 11 foreign and 13 local companies to set up futures brokerages when the deadline for applications was reached yesterday, reports Reuter from Taipei.

The Securities and Exchange Commission (SEC) said applications would be screened over the next few months and trade was expected to start in the first half of 1994.

Taiwan, which at present bans futures trading, plans to legalise the industry as part of efforts to internationalise its financial markets and become a regional financial centre.

The island already has a flourishing underground futures market in which about 100 houses are believed to be generating total daily turnover of at least US$100m.

Indonesia's withdrawal from gas field talks may be tactical

By William Keeling in Jakarta

THE INDONESIAN government has withdrawn from negotiations with Exxon Corporation of the US over the $20bn development of the Natuna gas field in the South China Sea. The move may, however, only be a tactical ploy with the field remaining central to the future of Indonesia's liquefied natural gas industry.

General Ida Bagus Sudjana, the energy minister, told local journalists of the surprise decision last week, whilst visiting oil facilities in East Kalimantan. He is reported to have described Exxon's proposal as "inefficient and unprofitable to Pertamina", the state-owned oil and gas company. Exxon has a 50 per cent stake in the field with Pertamina holding the remainder.

Pertamina has since confirmed the decision but an Exxon official in Jakarta denied negotiations were now dead. "We are currently in conversations with Indonesia on this matter," he said.

The Natuna field has 40 trillion (million million) cubic feet of proven and probable reserves and could produce 14m tonnes of LNG a year, worth about $2.4bn to Indonesia.

Divisions between the Government and Exxon apparently centre on how production is shared with both parties demanding more than half the field's output. Government officials say Exxon is also insisting on a concessionary tax regime and a sovereign guarantee for its investment covering force majeure risk.

Industry officials believe the two parties will end up back at the negotiating table. While the Government had earlier warned it would consider other partners, Exxon is considered one of only a few companies with the expertise and capital to develop the field.

Natuna's high cost stems from the technical difficulties in separating the natural gas from an estimated 70 trillion cu ft of carbon dioxide. The field would take eight years to bring on stream, entail more than 700,000 tonnes of offshore platforms and nearly 1,000 km (620 miles) of pipelines.

The field's economics may be marginal but industry officials say Indonesia needs to develop Natuna to maintain its dominant position in the world's LNG industry. The country exported more than 22m tonnes of LNG last year to Japan, Taiwan and South Korea but 12m tonnes was produced by Pertamina's Arun plant in North Sumatra, where reserves are running low.

New reserves have been found in Kalimantan and the completion of a sixth unit and other improvements will boost production at Pertamina's Badak plant in East Kalimantan by 40 per cent to 14m tonnes by 1995. Badak's higher output is unlikely, however, to be sufficient to roll over long-term export contracts, which begin to expire in 1999.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD traders were divided yesterday on the likely direction *of tha market's next decisive move.* An early rise in reaction against Friday's setback was capped by profit-taking at $395 e troy ounce and the price closed at $394.05 an ounce, up $1.30 on the day but $5.45 below last week's peak. At the London Metal Exchange the **COPPER** market continued Friday's retreat as profit-taking and general liquidation weighed down sentiment. Expected support at $1,950 a tonne failed to hold as the three months delivery contract slipped $46 to $1,937.50 a tonne. **ALUMINIUM** prices lost further ground following the international Primary Aluminium Institute's *announcement of a 50,000-tonne* rise in producer stocks in May, which reinforced bearish pressure. The three months price closed at $1,217.50 a tonne, down $27 on the day, taking it below the level ruling two weeks ago when Aluminum Company of America sparked an upturn with the announcement of plans for aubstantial production cuts. Dealers said disappointment at the failure of other producers to follow Alcoa's lead had eroded the constructive impact of that move.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Aug)		+ or -
Dubai	$14.58-4.63	+.345
Brent Blend (dated)	$16.79-6.81	+0.37
Brent Blend (Aug)	$16.86-6.88	+0.36
W.T.I (1 pm est)	$18.04-8.07	+.385
Oil products (NWE prompt delivery per tonne CIF		**+ or -**
Premium Gasoline	$197-199	
Gas Oil	$160-161	+1
Heavy Fuel Oil	$60-62	
Naphtha	$169-171	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$394.05	+1.3
Silver (per troy oz)♣	506.5c	+3
Platinum (per troy oz)	$405.50	+2.5
Palladium (per troy oz)	$188.75	-0.25
Copper (US Producer)	91.0c	-0.5
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.84m	-0.1
Tin (New York)	233.5c	-2
Zinc (US Prime Western)	62.0 c	
Cattle (live weight)†	137.58p	-1.91*
Sheep (live weight)†♣	100.34p	-2.63*
Pigs (live weight)†	80.94p	-2.24*
London daily sugar (raw)	$268.7	-6.6
London daily sugar (white)	$274.0	-2.5
Tate and Lyle export price	£292.0	-4
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£147.0u	
Rubber (Aug)♥	59.00p	
Rubber (Sep)♥	59.50p	
Rubber (KL RSS No 1 Jul)	208.5m	+1
Coconut oil (Philippines)§	$465.0v	
Palm Oil (Malaysian)§	$377.5t	+5
Copra (Philippines)§	Unq	
Soyabeans (US)	£212.0y	+2
Cotton "A" index	58.10c	+1.05
Wooltops (64s Super)	352p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Sep/Oct u-Jul t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Latest	Previous	High/Low	
Aug	263.00	273.50	273.50	263.00
Oct	259.00	270.00	269.20	259.00
Dec	263.50	269.50	268.50	263.50
Mar	263.10	270.40	269.60	262.10
May	270.00	273.40	270.00	

White 3126 (1664) Paris- White (FFr per tonne): Aug 1565.92 Oct 1564.26

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Aug	16.86	16.65	16.96	16.81
Sep	17.01	16.80	17.10	16.95
Oct	17.22	17.02	17.25	17.15
Nov	17.40	17.24	17.43	17.36
Dec	17.58	17.39	17.63	17.55
Jan	17.74	17.61	17.77	17.68
Feb	17.92	17.74	17.92	
IPE Index	16.82	16.64	16.82	

Turnover 96811 (40655)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Jul	160.50	158.50	161.75	160.00
Aug	160.00	158.25	161.80	159.75
Sep	161.80	159.75	162.50	161.00
Oct	163.75	162.75	165.25	163.75
Nov	166.50	165.00	167.25	166.50
Dec	158.75	167.80	169.25	166.00
Jan	170.00	168.50	170.75	170.00
Feb	169.75	168.25	170.50	170.00
Mar	168.50	167.80	169.60	

Turnover 15608 (22561) lots of 100 tonnes

TEA
There was less demand than of late, reports the Tea Broker's Association. Landed best liquoring East Africans were very irregular, turning easier by the close while improved mediums were firm, others several pence lower with plainest neglected. Ceylons came in for limited enquiry and lost 4 to 5p with brokers week. Offshore teas received fair support but at lower rates for all descriptions. Quotations quality 155p/kg, nom good medium 130p/kg, medium 108p/kg low medium 83p/kg. The highest price realised this week was 176p for a Rwanda pf.1.

COCOA – LCE (£/tonne)

	Close	Previous	High/Low	
Jul	743	754	748	740
Sep	756	764	760	747
Dec	761	767	762	753
Mar	773	776	775	766
May	783	786	783	778
Jul	791	796	793	788
Sep	801	804	800	799
Dec	814	818	819	810
Mar	832	828	833	825

Turnover: 4862 (11120) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 0 769.54 (757.10) 10 day average for Jul 12 743.64 (739.09)

COFFEE – LCE ($/tonne)

	Close	Previous	High/Low	
Jul	936	955	943	935
Sep	968	961	975	958
Nov	973	969	986	968
Jan	974	966	977	967
Mar	971	967	077	969

Turnover: 1585 (3581) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 0 Comp. daily 59.66 (58.69) 15 day average 56.36 (56.09)

POTATOES – LCE (£/tonne)

	Close	Previous	High/Low
May	103.5	103.3	102.5

Turnover 2 (74) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)

	Close	Previous	High/Low
Dec	-	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)

	Close	Previous	High/Low	
Jul	1280	1273	1280	
Aug	1273	1263	1270	
Sep	1285	1288	1285	1270
Nov	1355		1355	
Apr	1423		1420	
BFI	1376	1385		

Turnover 22 (199)

GRAINS – LCE (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	109.00	109.30	109.00	108.65
Jan	111.30	111.50	111.50	111.80
Mar	113.60		113.75	113.25
May	115.65	118.10	115.65	115.70
Barley	**Close**	**Previous**	**High/Low**	
Nov	106.95	107.55	107.15	107.00
Jan	109.35	109.60	109.70	109.25
Mar	111.25		111.25	
May	112.25		112.10	

Turnover: Wheat 141 (126), Barley 10 (57).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	110.0	110.3	110.0
Aug	104.0	103.6	104.0
Oct	105.5	105.4	105.5

Turnover:12 (9)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 46,368 lots
Cash	1193-94	1221-2		1204-04.5		
3 months	1217-18	1244-5	1239/1213	1228-28.5	1217-16	231,122 lots
Copper, Grade A ($ per tonne)						Total daily turnover 52,040 lots
Cash	1926-27	1973-5	1939/1938	1937-38	1936-37	
3 months	1937-38	1983-4	1960/1933	1948-49		244,750 lots
Lead ($ per tonne)						Total daily turnover 3,123 lots
Cash	386-87	398.5-9.5	397.5	397-97.5		
3 months	400-401	412-3	411/400	410-10.5	410-411	24,029 lots
Nickel ($ per tonne)						Total daily turnover 10,740lots
Cash	5095-105	5220-30		5135-40		
3 months	0150-55	6275-80	5240/5156	5200-205	5180-70	49,505 lots
Tin ($ per tonne)						Total daily turnover 1,205 lots
Cash	5050-55	6095-100		5085-90		
3 months	5100-05	5150-60	5140/5085	5130-31	5085-90	10,725 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 33,290 lots
Cash	957-59	961-2		963-64		
3 months	975-75.5	972-3	982/966	975-75	076-77	73,888 lots

LME Closing £/$ rate: SPOT: 1.4780 3 months: 1.4691 6 months: 1.4605 0 months: 1.4531

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	393.80-394.30	
Opening	394.40-394.80	
Morning fix	394.40	267.191
Afternoon fix	393.40	266.712
Day's high	395.00-395.50	
Day's low	392.50-393.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.52	6 months	2.62
2 months	2.51	12 months	2.55
3 months	2.51		

Silver fix	p/troy oz	US cts equiv
Spot	342.45	506.50
3 months	347.05	010.25
0 months	351.85	014.25
12 months	361.80	523.45

GOLD COINS

	$ price	£ equivalent
Krugerrand	394.50-397.80	266.00-268.00
Maple leaf	404.30-406.80	-
New Sovereign	93.50-96.50	63.00-65.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1225	25	47	39	46
1250	17	38	64	59
1275	10	27	72	75
Copper (Grade A)	**Calls**		**Puts**	
1900	89	109	50	72
1950	63	85	74	97
2000	43	64	104	126
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
850	121	134	3	11
900	79	97	11	24
950	46	66	27	43
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	44	63	14	27
750	29	46	24	37
775	19	35	39	52
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1700	1	46	18	39
1750	2	22	56	64
1800	11	10		102

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	394.3	391.0	0	0
Aug	394.9	392.3	395.5	393.5
Sep	395.9	393.3	396.0	395.0
Oct	397.0	394.4	397.5	395.7
Dec	399.1	396.4	399.7	397.7
Feb	400.9	398.1	401.4	400.2
Apr	402.7	399.8	402.7	401.5
Jun	404.5	401.6	0	0
Aug	406.3	403.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	409.4	404.0	0	0
Oct	411.4	406.1	414.0	406.7
Jan	411.8	406.6	414.0	407.3
Apr	411.9	407.1	413.0	407.6

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	506.0	500.3	508.5	503.0
Aug	507.2	501.5	0	0
Sep	508.5	502.8	511.0	504.5
Dec	513.8	508.1	516.0	010.0
Jan	514.4	508.7	0	0
Mar	518.6	513.1	520.5	017.0
May	522.7	517.0	523.5	520.0
Jul	526.2	520.5	0	0
Sep	530.0	524.3	531.0	530.5
Dec	535.7	530.0	538.5	532.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	86.50	87.20	86.60	85.40
Aug	85.85	07.55	86.00	85.60
Sep	86.20	87.90	87.80	85.75
Oct	86.40	88.15	0	0
Nov	86.55	88.20	0	0
Dec	86.65	88.25	87.30	86.20
Jan	86.75	88.35	87.60	87.60
Feb	86.90	88.50	83.70	83.70
Mar	87.05	88.65	87.35	86.80
Apr	87.15	88.75	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	18.07	17.89	18.10	17.95
Sep	18.30	18.13	18.40	18.17
Oct	18.56	18.39	18.60	18.47
Nov	18.75	18.60	18.77	18.67
Dec	18.95	18.80	18.97	18.88
Jan	19.13	19.01	19.10	19.11
Feb	10.26	19.14	19.26	19.20
Mar	19.35	19.24	19.37	10.34
Apr	19.44	18.32	19.45	10.42
May	19.52	10.40	19.52	19.49

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	50.65	50.49	51.70	50.40
Sep	51.65	51.50	52.60	51.50
Oct	52.85	52.62	53.05	52.62
Nov	53.95	53.74	54.20	53.80
Dec	55.05	54.86	55.30	54.90
Jan	55.95	55.71	56.20	55.75
Feb	56.35	55.96	56.50	56.20
Mar	55.70	55.16	55.75	55.60
Apr	54.75	54.21	54.75	54.75
May	53.75	53.36	54.20	53.75

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	925	952	950	950
Sep	954	981	967	944
Dec	983	1007	997	975
Mar	1006	1029	1014	1002
May	1029	1050	1028	1026
Jul	1045	1072	1050	1046
Sep	1065	1093	1073	1060
Dec	1091	1119	1095	1091
Mar	1112	1140	0	0
May	1130	1158	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	68.05	69.60	69.20	66.75
Sep	69.55	70.20	69.80	68.60
Dec	71.80	72.30	72.00	70.60
Mar	74.00	74.80	74.10	73.20
May	75.75	76.10	75.40	76.00
Jul	77.30	77.70	0	0
Sep	78.95	75.30	0	0
Dec	82.25	01.55	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.74	10.25	10.11	9.57
Mar	9.96	10.30	10.22	9.87
May	9.97	10.32	10.22	9.92
Jul	0.88	10.17	10.11	9.80
Oct	9.87	10.11	10.04	9.85

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	60.97	59.22	60.25	58.12
Dec	61.05	58.88	61.23	59.22
Mar	61.95	60.85	62.00	60.25
May	62.55	61.63	62.00	61.20
Jul	63.20	62.13	63.20	61.30
Oct	62.10	61.70	61.30	61.30
Dec	62.28	61.80	62.50	62.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	121.56	120.60	121.80	118.50
Sep	124.25	122.85	124.75	120.50
Nov	126.70	125.50	126.95	123.00
Jan	128.30	127.00	128.45	124.25
Mar	129.90	128.75	129.90	127.00
May	131.45	130.95	0	0
Jul	131.45	131.45	0	0
Sep	130.45	129.95	0	0
Nov	130.45	129.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jul.12	Jul 9	mnth ago	yr ago
1707.7	1706.4	1646.9	1562.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul.9	Jul 0	mnth ago	yr ago
Spot	123.87	120.17	119.94	118.03
Futures	126.80	121.00	121.03	118.40

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	697/4	710/0	704/4	690/0
Aug	699/0	711/4	707/0	681/4
Sep	701/4	713/6	710/0	685/0
Nov	704/4	717/0	713/0	687/0
Jan	708/0	719/4	715/0	693/0
Mar	708/0	719/4	717/0	698/0
May	710/4	719/4	718/0	700/0
Jul	708/4	720/4	720/0	700/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	24.40	24.80	24.73	23.85
Aug	24.43	24.77	24.80	23.85
Sep	24.63	24.92	24.90	23.95
Oct	24.78	25.07	25.00	24.07
Dec	24.98	25.30	25.30	24.37
Jan	25.04	25.30	25.30	24.45
Mar	25.15	25.35	25.30	24.60
May	25.13	25.35	25.40	24.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	223.2	221.6	223.6	216.0
Aug	221.2	220.7	222.0	213.0
Sep	220.3	220.5	221.9	213.0
Oct	219.8	220.6	221.7	213.0
Dec	221.8	222.3	223.5	214.5
Jan	221.3	221.6	222.5	216.0
Mar	219.8	222.2	222.0	217.0
May	210.0	223.5	220.5	218.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	230/2	234/4	234/4	223/4
Sep	236/0	241/4	242/0	229/4
Dec	245/4	251/0	249/4	239/0
Mar	252/4	255/2	256/0	246/2
May	255/2	260/4	259/0	250/0
Jul	256/2	260/4	259/0	250/4
Sep	248/0	249/4	250/0	244/0
Dec	245/0	246/2	245/4	238/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	293/4	296/2	297/0	287/0
Sep	296/6	298/6	299/4	289/0
Dec	308/4	309/6	312/0	302/0
Mar	314/4	314/4	318/4	308/4
May	312/2	311/0	314/0	306/4
Jul	306/4	307/2	307/0	300/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	73.775	74.500	74.600	73.725
Oct	74.650	75.025	75.075	74.575
Dec	76.000	76.275	76.250	75.850
Feb	75.900	75.900	75.950	75.700
Apr	76.900	76.925	76.900	76.800
Jun	73.850	73.750	73.900	73.750
Aug	72.800	72.700	72.800	72.650

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	48.075	48.025	48.300	47.800
Aug	47.475	47.225	47.700	46.925
Oct	43.925	43.550	43.950	43.275
Dec	44.650	44.300	44.800	44.025
Feb	44.475	44.375	44.600	44.275
Apr	43.475	43.300	43.475	43.150
Jun	48.750	48.650	48.800	48.600
Jul	48.550	48.550	0	48.500

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	39.525	39.200	39.600	38.400
Aug	37.650	37.050	37.800	36.400
Feb	46.775	46.850	46.850	45.700
Mar	46.150	46.150	46.400	46.200
May	47.000	47.000	0	-0-
Jul	46.200	46.500	0	46.200
Aug	46.500	46.500	0	0

More downward pressure on equities

By Steve Thompson

THE recent uncertainty in the UK equity market was again in evidence yesterday, with share prices coming under renewed downward pressure and the bottom end of its perceived trading range of 2,600 to 2,900 on the FT-SE 100 Index.

Senior dealers ware hard pressed to come up with a good reason for the market's latest unhappy showing but there was a growing feeling in some areas of the City that the government's sale of its remaining near 22 per cent stake in BT may not be going quite as well as some would have it.

"There is something unsettling the market and it's definitely not rights issue stories; with BT3 so close, the authorities would not have allowed any other substantial calls," said one dealer.

He pointed out that Wall Street had made a relatively comfortable opening, despite widespread worries that the US market could be overbought, and that the big Continental hourses had performed well yesterday, with the Dax up 20 points and the Paris market rallying well.

"The domestic economic news is okay, which leaves one thing – BT3," he said. Worries about the drain on institutional cash balances, following the massive government borrowing requirement and the spate of rights issue – over £7bn – so far this year, have been around for some time. An economist at one of the UK agency brokers put it bluntly: "The institutions have run out of cash."

The Share Shops deadline for BT3 applications was 3.30pm yesterday with the Public Offer closing at 10am tomorrow. The international and retail tender closes at 5pm on Friday with dealings commencing on Monday.

Carr Kitcat and Aitken, the stockbroker, issued a bearish review of BT yesterday, claiming that consensus profit estimates for the company "are too high." The broker lopped £620m off its current year estimate and £650m off that for next year, citing "ominous regulatory developments and a "downbeat BT3 prospectus."

The equity market opened on a drab note and was on the retreat for the rest of an uninspiring session. The FT-SE 100 was down almost seven points by 10 o'clock, staged a minor rally towards midday and then embarked on a further slide, eventually closing a net 12.3 down at 2,830.9, its lowest point since June 4, and a fall of almost 70 points since the start of the month.

Turnover yesterday was a lowly 448.1m shares, with non-FT-SE 100 stocks accounting for 61 per cent of the total. Monday's are traditionally low turnover sessions for the market and dealers are worried that activity will remain under pressure for the rest of the week. *The value of customer business transacted last Friday was £1.23bn.*

The outbreak of price war among the UK tabloid newspapers, instigated by the Rupert Murdoch-controlled Sun, triggered some sizeable selling of the newspaper companies with Mirror Group shares notably weak along with United Newspapers.

Composite insurance stocks were given a rough ride as analysts began to count the costs of the floods in the US. Banks provided one of the FT-SE 100's few firm spots in TSB where there was talk of the imminent sale of the Hill Samuel merchant banking operation. Oil shares were helped by a further rise in crude oil prices.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Jun 21	Jul 5	Jul 19
Option Declarations:	Jul 1	Jul 15	Jul 29
Last Dealings:	Jul 2	Jul 16	Jul 30
Account Day:	Jul 12	Jul 26	Aug 9

*New time dealings may take place from 8.30am two business days earlier.

BAe rises on sales hopes

SPECULATION of a lucrative order and news of an improvement in car sales sent British Aerospace sharply forward yesterday. Talk heard last week that Saudi Arabia was about to announce a substantial order for Airbus aircraft gathered momentum, with the order said to be for both the A320 and A340 aircraft.

Buyers were further attracted by news that sales of Rover cars rose by 13 per cent in the first half of this year, above market expectations.

Analysts also predicted that the company's regional jets joint venture with Taiwan Aerospace was about to be completed. Yesterday the stock surged 15 ahead to 420p in brisk trade of 5m shares.

Mr Keith Hodgkinson at Lehman Brothers believes the shares will remain in the 400p to 450p trading range in the near future and predicted that they will rise to more than 500p next year.

Devenish deal

Drinks group Boddington finally exited from J.A. Devenish yesterday as it off-loaded the near 20 per cent holding it had been sitting on since its failed attempt to find its rival two years ago. Boddington's stake had been overhanging Devenish since and prompted continued speculation that the northern brewer would return to the fray – a threat dispelled last month by the bid for Devenish by Greenalls.

The Boddington disposal now clears the way for the smooth takeover by Greenalls, whose £214m bid has since been recommended by the Devenish board.

Boddington was said to have sold its holding at an average of 360p a share – a healthy premium to the average 211p a share it paid in July 1991 when it was building up its predatory stake. The sale price was also at a premium to the 356.5p cash alternative offered by Greenalls, whose all-paper offer valued Devenish at 390p a share. The main reason for the high bid price had been to prevent Boddington's from re-bidding. Boddington shares steadied at 277p, Greenalls slipped 2 to 354p and Devenish a penny to 363p.

Newspapers hit

The outbreak of tabloid price wars sent newspaper shares into a tailspin. After The Sun cut its cover price by 5p to 20p and the Daily Mirror returned fire with a one-day offer to buy the paper for only 10p, heavy trading in Mirror Group Newspapers pushed the price down 14 to 153p. Volume in the shares, which have enjoyed a strong run lately, was 3.3m.

Casualities spread throughout the popular press as some investors feared that News International's strategy may take the Sun's price lower if it was reaping sales, while others believed that the furore was merely a summer campaign. United Newspapers – exposed to the price battle through the Daily Star and Daily Express – lost 7 to 535p. Daily Mail and General Trust shares fell back £1⅛ to £99. Shares in News International, owner of The Sun, lost a penny to 215p.

Analysts felt that although Mirror shares had taken a knock there was underlying support for the stock amid the uncertainty sparked in the sector. One dismissed the fall as "a knee-jerk reaction".

A stock overhang resulting from a large sell order was said to have unsettled Kwik Save and the shares came off 16 to 691p. Dairy Farm was identified as the buyer of 600,000 of the rumoured 1.5m line, with some suggestions in the market that a further block of stock may be around. The Dairy Farm purchase takes its stake in Kwik Save up to 29.4 per cent.

Avonmore advanced 7 to 150p after announcing the purchase of a Midlands dairy business, although the news depressed Northern Foods, off 5 at 251p.

Results from MFI Furniture were at the bottom of most analysts expectations, although the recent weakness in the share price meant it closed the session 1¼ ahead at 128½p.

That sales figures from Darty, the French electrical retailer owned by Kingfisher, hurt the shares which fell 11 to 589p.

Nervous trading in Tiphook, the container rental group sent the shares further into retreat, ahead of tomorrow's figures. The shares fell another 14 to 274p.

Reports that BAA, the UK airport operator was in discussions to take a stake in Chicago's O'Hare airport, left the shares 4 lighter at 709p. However a further decline was prevented by news of a 4.2 per cent increase in passenger traffic for the month of June, against the same time a year earlier.

Shares in conglomerate Tomkins tumbled 11½ to 212½p to make it the day's worst performer in the FT-SE 100. Strong selling saw volume rise to 6m shares, as the group reported figures at the bottom end of market expectations.

Profits jumped 29 per cent to £171m but analysts were particularly unhappy with the lack of detail on the performance of RHM, which it acquired last year. Tomkins' prediction of earnings growth of between 13 and 14 per cent also left some analysts unimpressed.

Television stocks, still in an excitable state after the wave of takeover fever in the sector, traded nervously while awaiting a statement by Mr Peter Brooke, the national heritage secretary, on ownership rules for ITV companies.

Anglia TV fell back 15 to 320p; Central Independent TV lost 53 to close at 1978p; Scottish TV, which also saw Morgan Grenfell's stake fall to below 3 per cent, gave up 15 to 524p; Yorkshire-Tyne Tees TV lost 8 to 196 and Carlton Communications retreated 10 to 767p. LWT Holdings pref shares lost 12 to 458p and Granada fell back 4 to 407p.

Mr Brooke's statement came late in the trading day and said little other than he was reviewing the rules. One specialist said that investors are puzzled by the complexity of the ownership rules and the sector is suffering uncertainty. He said however that there was a growing market expectation that some consolidation in television ownership was an inevitability.

Weekend press speculation that the chairman and chief executive of Spring Ram, the troubled building products group, may resign saw the shares decline, closing 5½ to 54p. However, sources close to the company were still insisting yesterday that Mr Bill Rooney, who was returning from holiday, retained the support of the board and would only volunteer to resign one of his posts.

Light profit-taking and a big seller of Commercial Union seen early in the day left the shares trailing 11 to 604p. Worries about the floods in the US and the constant fear of hurricanes in the US was also said to have played its part in the decline. Those same fears hurt General Accident leaving the shares 8 lighter at 613p.

Several stocks in the aerospace sector benefitted from the speculation of a big aircraft order from Saudi Arabia. These included Rolls-Royce where the shares advanced 5½ to 142½p, on volume of 3.3m, on suggestions that it was in line to win the order for the engines that will power the aircraft bought by Saudi Arabia.

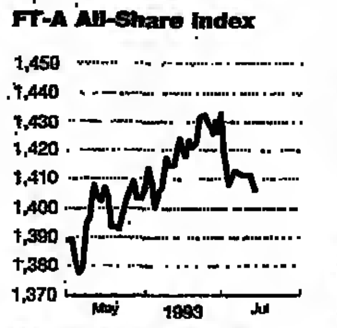
Dealers were also cheered by reports that the UK government plans to raise the ceiling on foreign ownership in both Rolls and British Aerospace, from the current level of 29.5 per cent to between 40 and 50 per cent. Rolls-Royce reached its limit last month but remains attractive especially to US buyers some of which have had to settle for warrants issued through Lehman Brothers.

Another possible beneficiary of an order from Saudi Arabia is TI Group, whose subsidiary Dowty manufactures the landing gear on the Airbus aircrafts. The shares firmed 2 to 338p, in thin trading. Bid speculation returned to Lucas Industries and the shares finished 2 ahead at 148p. Volume was 3.2m.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Christopher Price,
Christine Buckley.

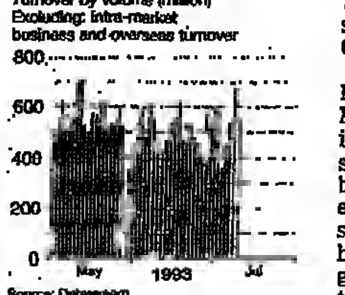
■ Other statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (143). [illegible] ... Calverd Robey, BUSINESS SERVS (3) Holmes Protn., RCO, Scott Pickford, CONGLOMERATES (1) Tomkins, ELECTRONICS (1) Micro Focus, ENG GEN (1) Barry Wehmiller, FOOD RETAILING (4) Kwik Save, Low (Wm), Sainsbury (J), Tesco, INV TRUSTS (1) China Inv., MEDIA (1) Hodder Headline, MTL & MTL FORMING (1) GBE, MISC (4) Appld. Holographics, BA7 Inds., Cosalt, Sim. Business, MOTORS (1) Cowie (T), OIL & GAS (1) New London, OTHER INDLS (2) Marling, Tomkins 6¼pc Pf., PACKG, PAPER & PRNTG (1) Microgen, PROP (1) Brodero, STORES (2) Boots, Reject Shop, TRANSPORT (1) BAA.

FINANCIAL TIMES EQUITY INDICES

	July 12	July 9	July 8	July 7	July 6	Year ago	*High	*Low
Ordinary share	2221.1	2228.2	2227.6	2234.1	2235.0	1898.3	2299.5	2124.7
Ord. div. yield	4.16	4.14	4.14	4.13	4.12	4.60	4.82	4.07
Earning yld % full	4.93	4.93	4.93	4.91	4.91	7.08	6.33	4.82
P/E ratio net	25.87	25.86	25.86	26.06	26.09	17.85	26.57	19.40
P/E ratio nil	23.86	24.07	24.08	24.16	24.18	15.81	24.59	18.14
Gold Mines	225.8	222.2	229.5	238.3	237.7	85.3	253.6	90.0

*For 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40. Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71. Base Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2228.0	2226.1	2223.8	2225.0	2225.2	2224.9	2224.3	2226.8	2221.0	2228.8	2217.7

Volume	July 12	July 9	July 8	July 7	July 6	Year ago
SEAQ Bargains	26,182	27,016	24,951	25,357	23,837	18,258
Equity Turnover(£m)†	-	1227.9	1203.1	1155.6	958.8	883.8
Equity Bargains†	-	30,471	28,950	29,706	28,069	23,693
Shares traded (ml)†	-	552.8	673.7	538.4	451.0	373.7

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

PRE-BT3 excitement was blamed for thin volume in the stock index futures, with investors thought to be saving themselves for trading in the stock, Christine Buckley writes.

A total of 6,618 lots were traded in the FT-SE 100 September future in a range which stretched from 2,850 at its high point abont half an hour into the day's trading to its low of 2,825 which was hit about 3pm when any optimistic signs from the US were dampened by a subdued Wall Street opening.

"There were just not the institntional hnyers ont there," said one trader.

The directionless trading which has been one of the main features of the futures market continued with little prospect of a change as dealers struggle to find a handle on economic prospects.

The September Footsie contract started the day at 2,844 and closed 3 points lower at 2,841. It was 3 points ahead of its fair value premium to cash, which is 7 points.

Traded options also suffered from low volume, a total of 16,553 lots being traded, against last Friday's 24,314. Of the stock options, BAA was the most active with 1,517 contracts dealt.

The expiry of the July contract on the Euro FT-SE 100 option – which is dne this Friday – was seen to stimulate some action, with a squeeze pushing its volume to 1,012 lots.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2830.9 −12.3	3228.6 −8.2	1406.16 −5.30

	Jul 12	Day's change %	Jul 9	Jul 8	Jul 7	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	2830.9	−0.4	2843.2	2845.9	2848.3	2478.3	4.04	5.94	20.95	51.80	1617.61
FT-SE Mid 250	3228.6	−0.3	3236.8	3226.4	3219.9	2443.7	3.73	6.08	20.39	52.16	1151.99
FT-SE Mid 250 ex Inv Trusts	3245.4	−0.2	3253.4	3243.8	3238.5	2460.3	3.83	6.49	19.26	52.99	1153.47
FT-SE-A 350	1418.2	−0.4	1424.8	1424.6	1425.1	1204.1	3.97	5.98	20.82	25.28	1045.44
FT-SE SmallCap	1635.61	−0.1	1638.04	1637.59	1638.21	-	3.47	4.29	32.75	24.05	1223.08
FT-SE SmallCap ex Inv Trusts	1637.69	−0.1	1639.58	1640.39	1642.21	-	3.66	4.73	30.68	25.29	1225.67
FT-A ALL-SHARE	1406.16	−0.4	1411.46	1411.46	1411.73	1187.85	3.94	5.87	21.30	24.78	1054.43
1 CAPITAL GOODS(214)	994.46	−0.1	995.48	995.85	994.83	783.42	4.00	4.26	31.24	20.73	1166.82
2 Building Materials(28)	1046.81	−0.2	1048.85	1001.85	1054.27	874.81	4.47	3.72	37.88	21.04	1209.16
3 Contracting, Construction(29)	917.43	−0.3	919.77	923.63	924.79	752.47	3.58	1.49	80.00†	13.43	1265.32
4 Electricals(15)	2967.40	+0.1	2964.69	2966.50	2962.01	2360.78	4.54	4.97	25.80	65.13	1195.12
5 Electronics(38)	2689.69	+0.1	2687.74	2702.22	2688.63	1921.73	3.20	6.17	20.07	59.24	1175.70
6 Engineering-Aerospace(7)	423.35	+2.2	414.07	414.75	411.92	326.19	3.49	‡	‡	8.61	1461.77
7 Engineering-General(48)	577.98	——	577.73	576.34	577.16	478.44	3.75	6.37	19.49	10.82	1153.94
8 Metals & Metal Forming(10)	407.57	+0.9	403.93	395.52	398.66	298.04	2.68	‡	‡	6.06	1286.05
9 Motors(20)	419.13	+0.3	417.83	416.50	414.93	342.28	5.19	4.46	31.44	9.77	1147.41
16 Other Industrials(19)	2092.72	−0.8	2110.30	2107.54	2108.12	1654.52	4.31	5.45	21.92	50.05	1078.45
21 CONSUMER GROUP(235)	1595.52	−0.8	1605.16	1608.84	1613.46	1580.05	3.60	7.03	17.33	25.82	923.74
22 Brewers and Distillers(30)	1847.88	−0.2	1850.91	1858.16	1860.00	2070.01	3.98	8.41	14.39	33.57	899.66
25 Food Manufacturing(22)	1285.20	−0.5	1291.13	1295.22	1294.32	1233.37	3.96	7.86	15.72	25.28	988.98
26 Food Retailing(17)	2739.58	−1.3	2776.59	2784.15	2808.65	2764.91	3.41	9.43	13.17	47.61	857.36
27 Health & Household(30)	3296.75	−0.6	3317.02	3330.59	3352.74	3805.32	3.73	6.65	17.58	43.07	783.31
29 Hotels and Leisure(20)	1344.02	−0.3	1348.82	1342.36	1346.33	1197.81	4.43	6.26	20.01	25.72	1065.36
30 Media(33)	2006.65	−0.8	2022.60	2015.01	2020.83	1506.63	2.58	5.06	23.97	24.98	1113.12
31 Packaging and Paper(24)	825.52	−0.5	829.57	828.23	834.64	758.81	3.57	5.92	20.78	13.72	1073.68
34 Stores(39)	1125.95	−0.7	1134.17	1138.76	1136.12	975.34	3.16	6.17	21.04	17.66	984.23
35 Textiles(20)	782.91	−0.3	785.41	789.41	790.35	653.08	3.90	6.09	20.60	14.90	1088.16
40 OTHER GROUPS(142)	1486.80	−0.4	1493.01	1491.56	1494.80	1243.34	4.31	7.36	16.46	23.59	1049.47
41 Business Services(28)	1601.00	−0.8	1614.26	1618.28	1625.25	1365.64	2.88	7.33	15.63	20.61	1065.30
42 Chemicals(23)	1496.99	−0.4	1502.39	1502.57	1505.58	1361.02	4.38	0.28	‡	35.15	1075.48
43 Conglomerates(11)	1441.88	−0.1	1443.09	1429.94	1416.49	1219.06	5.27	7.40	15.16	29.85	1062.36
44 Transport(15)	2855.82	−0.6	2872.14	2885.27	2908.34	2425.04	4.03	5.26	24.10	53.82	1052.44
45 Electricity(16)	1619.57	+0.2	1816.16	1796.24	1805.64	1312.20	4.33	12.41	9.96	32.59	1180.33
46 Telephone Networks(4)	1754.12	−0.5	1762.56	1787.16	1780.41	1408.44	3.86	5.97	20.85	3.24	1040.89
47 Water(13)	3305.54	−0.3	3314.77	3247.71	3252.24	2808.48	5.34	13.17	8.35	87.73	1044.24
48 Miscellaneous(32)	2215.22	−1.1	2238.94	2222.69	2233.29	2041.87	4.82	7.70	15.47	48.56	912.95
49 INDUSTRIAL GROUP(591)	1421.74	−0.4	1428.00	1428.15	1431.78	1274.35	3.92	6.58	18.70	24.17	1007.88
51 Oil & Gas(18)	2460.66	+0.2	2455.43	2441.32	2453.82	1906.98	4.45	5.68	22.29	48.05	1119.99
59 "500" SHARE INDEX(609)	1513.45	−0.4	1519.03	1519.17	1522.52	1336.12	3.98	6.48	18.03	28.16	1018.21
61 FINANCIAL GROUP(90)	1070.42	−0.4	1074.89	1075.56	1085.86	717.60	3.98	3.51	42.38	21.66	1252.23
62 Banks(9)	1468.84	−0.5	1476.28	1484.72	1467.46	958.48	3.67	4.21	32.69	28.48	1259.21
65 Insurance (Life)(6)	2059.62	−0.3	2065.05	2053.52	2043.35	1489.61	4.33	4.67	26.97	47.49	1197.99
66 Insurance (Composite)(7)	686.36	−0.6	692.25	685.79	682.80	474.85	4.53	‡	‡	15.60	1120.66
67 Insurance Brokers(10)	895.04	+0.2	893.35	894.46	896.42	783.64	4.05	5.58	25.47	16.48	1179.81
68 Merchant Banks(6)	674.49	——	674.70	675.39	675.16	443.14	3.33	7.19	17.16	12.33	1369.58
69 Property(29)	890.30	−0.2	892.06	887.87	875.12	590.16	4.56	4.56	29.29	18.47	1423.13
70 Other Financial(23)	393.50	+0.1	393.25	390.79	389.55	240.30	4.24	5.59	23.94	6.93	1328.62
71 Investment Trusts(116)	1529.69	−0.3	1534.74	1526.69	1519.30	1134.51	2.67	2.13	46.90	19.93	1160.94
99 FT-A ALL-SHARE(809)	1406.16	−0.4	1411.46	1411.46	1411.73	1187.85	3.94	5.87	21.30	24.78	1054.43

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.16	High/day	Low/day
FT-SE 100	2842.7	2840.3	2836.4	2837.7	2838.3	2836.7	2835.4	2829.1	2831.0	2843.2	2827.1
FT-SE Mid 250	3233.4	3232.5	3232.1	3232.9	3232.9	3232.3	3231.7	3229.6	3228.9	3233.6	3228.1
FT-SE-A 350	1424.3	1423.3	1421.7	1422.3	1422.5	1421.9	1421.3	1418.6	1419.3	1424.5	1417.8

Time of FT-SE 100 high: 8:41am low: 3:09pm

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1767.3	1767.0	1767.0	1766.5	1766.5	1766.5	1766.5	1764.3	1763.8	1758.2	1768.6	-10.4
Health & H	999.1	996.7	995.1	995.0	994.6	994.6	994.6	992.3	992.0	991.6	997.9	-6.3
Water	1370.0	1369.4	1366.0	1365.9	1365.8	1365.8	1365.7	1363.6	1364.5	1364.9	1368.8	-3.9
Banks	1789.6	1787.9	1780.5	1783.5	1786.7	1785.7	1784.9	1780.4	1785.0	1785.3	1794.4	-9.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						
Treas 9½pc 1999‡‡	111⅛	+⅛	112½	105⅞	8.53	6.99
Exch 12¼pc 1999	122⅜	+⅛	124⅜	120⅞	9.98	7.25
Treas 10½pc 1999	115⅜	+⅛	117⅜	112⅜	9.09	7.11
Conversion 10¼pc 1999	115⅝	+⅛	117⅜	112⅞	8.88	7.16
9pc 2000‡‡	109⅝	+⅛	110⅝	106	8.20	7.13
Treas 13pc 2000	129⅜	+⅛	131	125½	10.05	7.51
10pc 2001	114⅜	+⅛	115⅜	109⅜	8.74	7.47
9¾pc 2002	113⅜	+⅛	114⅜	108⅝	8.58	7.60
8pc 2003‡‡	103½	+⅛	103½	97⅞	7.73	7.49
8pc 2003 A‡‡	103⅛	+⅛	103⅛	102⅝	7.73	7.50

BRITISH FUNDS - Cont.

Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						
Undated						
Consols 4pc	46⅞xd	+¼	[illegible]	[illegible]	[illegible]	
War Loan 3½pc‡‡	42⅝	+⅛	[illegible]	[illegible]	[illegible]	
Conv 3½pc '61 Aft.	63¼	——	[illegible]	[illegible]	[illegible]	
Treas 3pc '66 Aft.	36⅞	——	[illegible]	[illegible]	[illegible]	
Consols 2½pc	32⅛	——	[illegible]	[illegible]	[illegible]	
Treas. 2½pc	31¼	+⅛	[illegible]	[illegible]	[illegible]	

BRITISH FUNDS - Cont.

Notes	Price £	+ or −	1993 high	1993 low	Yield (1)	Yield (2)
[illegible]						

OTHER FIXED INTEREST

Notes	Price £	+ or −	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]						

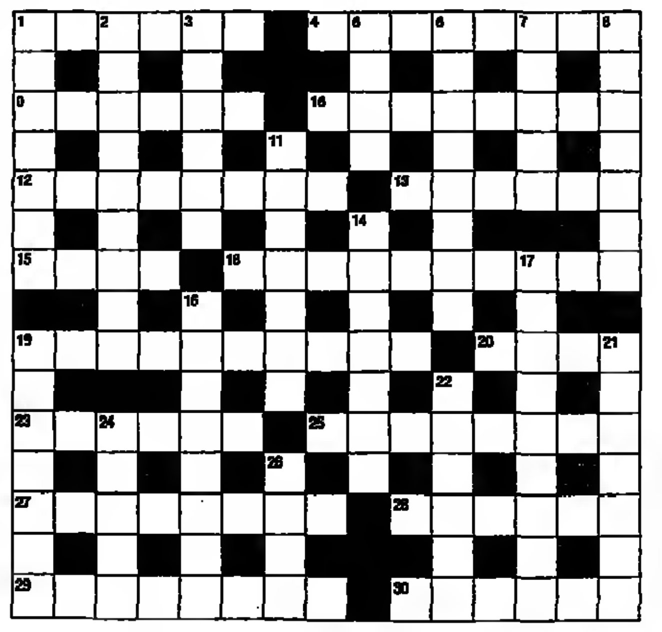
Continued on next page

CROSSWORD

No.8,200 Set by DANTE

ACROSS
1 Corrupt passage (6)
4 Keep a supply of drugs in the kitchen! (5-3)
9 Softer sort of wood (6)
10 Deck in a thousand-tonner, possibly (8)
12 Misplaced trust in a nudist (8)
13 Make merry, taking in a show (6)
15 Forced to return the cheese (4)
16 Paperhanger who mails his account? (10)
19 Having too high an opinion of a naval officer's position? (10)
20 Hits back in fight (4)
23 Pleads, we hear, for approval (6)
25 One flies from such crimes (8)
27 Pushed into side issues (8)
28 Rush job? (6)
29 He ignores a country's customs when travelling (8)
30 Tenant in the French diocese (6)

DOWN
1 It offers protection from French underworld dealer (7)
2 Excellent start unusual in shoot (5-4)
3 Do they keep to the beaten track? (6)
5 Sailor on northern stretch of water (4)
6 Third party insurance for a girl's honour? (8)
7 Tart churchman (5)
8 Gossip later, perhaps, about a non-drinker (7)
11 Is in the way in a ship, but helps (7)
14 New-fangled sort of wheel (7)
17 interpol's star performers? (3-6)
18 Sauce required for a formal dinner? (8)
18 More than master the subject? (7)
21 Note answer in book (7)
22 Go looking for a scrap when surrounded by the enemy (6)
24 Possibly the last word from Paris (5)
26 A small number turned up at church no longer (4)



Solution 8,199

JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	17¾xd	—	20¾	16½	14,332	2.5
Allegheny & W ♥	662p	+16	662p	398p	336.8	2.9
Amdahl	336p	-3	691p	302½p	378.2	6.9
Amer Cyanamid	36	—	38¾	31⅛	3,245	2.9
Amer Express	30⅝xd	+⅜	21⅞	14⅞	10,078	3.0
Amer T & T	41⅝xd	+⅛	42⅞	33⅝	65,889	2.0
Ameritech	52⅞	-¼	54½	48	22,095	4.4
BankAmerica	30⅞xd	+⅛	30⅞	27⅛	10,615	2.9
Bankers NY	52⅛xd	-⅛	52⅞	42⅝	4,778	0.8
Bell Atlantic	38⅞	-⅛	39½	32¼	17,195	4.2
BellSouth	37¼	-¼	38⅞	32⅞	18,401	4.2
Bethlehem Steel ♥	18⅛xd	+⅜	13¾	18	1,097	-
Bowater	1388pxd	+54	1682p	1287p	503.3	1.8
CPC	27⅝xd	+⅛	34⅝	28	4,231	2.8
California Engy	1234p	—	1479p	1086p	224.7	-
Chase Manhattan	22⅞xd	+⅛	24½	17⅝	3,482	3.4
Chrysler	32⅛xd	+⅛	32⅞	21⅛	8,467	1.2
Citicorp	21⅞xd	+⅛	21⅞	13⅞	7,799	-
Colgate-Palm	38⅞xd	+⅛	45⅝	35⅛	6,217	2.3
Cont'l Bank	1677p	+12	1677p	1278p	1,884	2.1
Dana	35⅞xd	+⅜	38¼	29⅞	1,841	3.8
Data General	627p	+21	951p	587p	173.8	-
Decora Inds ♥	135p	—	148p	109p	-	-
Dun & Brad	38⅞	-⅛	42⅞	37⅛	7,187	2.0
Eaton h	28⅝	—	21⅛	28⅞	2,038	2.4
Echlin	19⅛xd	+⅛	19⅝	15⅛	1,178	2.3
FPL	26⅝xd	+½	27⅝	23¼	4,700	6.9
Ford Motor	35¼xd	+1	38½	28⅞	17,206	1.8
Gen Elect	65⅝xd	+⅛	65⅝	53⅝	59,049	2.4
General Host ♥	632p	—	723p	513p	-	4.2
Gillette	36⅛xd	+⅛	42⅝	31⅛	8,178	1.4
Hasbro	26⅞	—	20⅞	20⅞	1,619	0.7
Honeywell	25⅝xd	+1	25⅝	20⅛	3,582	2.2
Houston Inds	30⅛	—	33¼	28¼	3,901	6.3
Ingersoll-Rand	21⅛xd	-⅛	25	19⅝	2,278	2.0
Lockheed	44⅞	+⅛	44⅞	35⅛	2,745	2.8
Lowe's h	2817p	+65	2817p	1573p	1,909	8.7
Malvy Technology	127p	-8½	203p	127p	-	-
Merrill Lynch	67½xd	+1¼	57½	37	5,909	1.3
Morgan (JP)	43½xd	+⅜	46½	38⅝	9,283	3.1
Morris (Philip)	33¼xd	+⅞	52⅝	28⅛	30,595	2.8
NYNEX	61⅞	-⅛	64⅞	52¼	12,780	4.2
Pall	11⅞xd	+⅛	15	11	1,375	1.7
Pennzoil	43¼xd	+¾	44⅝	31⅞	1,721	4.5
Quaker Oats	46⅞xd	+½	60⅛	39⅛	3,008	2.4
Quadrex	219p	+3	229p	161½p	23.8	-
Rockwell	21⅝xd	+⅛	22⅞	18⅞	4,742	2.0
Rep NY	35¼xd	+¼	37⅞	28¼	1,844	1.9
Sears, Roebuck	39¼xd	+½	39⅛	28⅞	13,085	2.6
Sthwestern Bell h	28½	—	28½	23⅝	16,803	3.6
Sun Co.	18⅞xd	+⅛	21⅞	14⅞	1,723	8.9
Tenneco	33⅝xd	-⅛	34⅞	25½	5,719	3.0
Texaco	43½xd	+⅛	44⅞	67⅝	16,995	4.7
Time Warner h	25⅞xd	+⅛	28⅞	18⅝	9,813	0.7
Unilab ♥	427p	—	450p	358p	194.4	-
US West	31¾	+⅛	21⅞	24⅞	13,169	4.2
Varity	1982p	-63	2266p	1696p	593.2	-
WMX Technologies	21¼xd	+⅛	27⅛	16⅞	10,381	1.8
Whirlpool	3870pxd	+33	3870p	2824p	2,705	3.8
Woolworth ♥	17⅞	-⅛	21½	17⅞	2,327	4.9

CANADIANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbot Energy ♥	2p	—	2p	2p	-	-
Amer Barrick	1681p	+18	1790p	890½p	4,804	0.5
Bk Montreal h	13⅛	—	13⅞	11⅞	3,442	4.9
Bk Nova Scot	1355p	—	1428p	1111p	2,816	4.1
BC Gas ♥	822p	-5	847p	723p	-	3.7
BCE	23⅞	+¼	26⅞	20⅞	7,312	5.5
Brascan ♥	667p	-1	721p	454p	547.8	5.9
Brookwater ♥	12½p	+½	16½p	10p	7.71	-
Can Imp Bk	1724p	—	1724p	1228p	3,435	8.0

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	1993 low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		205	-1	205	183	2.8	237.7	14.6
Warrants		53	-½	69½	30	-	-	-
Scot Mortgage		193½	-½	201	178	2.6	224.5	13.8
Scot National Inc		84½	-	95½	83	11.1	-	-
Cap		24	+1	26	16	-	63.8	63.8
Stepped Pf		154¼	-	155¼	150¾	4.8	-	-
Zero Div Pf		214	+½	214	207	-	-	-
Warrants		2½	-	5	2½	-	-	-
Scot Value		84	-	84	71	2.7	84.4	0.5
Sec Alliance		1482	-2	1505	1300	0.1	1010.5	8.8
Second Consld		183	-	184	88	-	210.2	22.5
Second Market		344	-1	347	258	0.7	344.0	0.1
Sec Tst Scot		82	-½	84½	74½	5.0	82.9	1.1
Select Assets		136	-	137	109½	1.1	175.1	22.3
Eq Ind Ser I		136xd	-	136	128	3.9	-	-
Eq Ind Ser II		135xd	-	137	128	3.9	-	-
SHIRESCOT		134	-	136	124	4.0	128.9	-4.0
Shires		261	-1	263	231	8.0	252.4	-3.4
11pc Cv Ln '03/04		£127½	-	£131½	£115½	8.5	-	-
Siam Select		128	-	138	97	1.8	147.8	13.7
Warrants		27	-	36	15	-	-	-
Smaller Cos		125	-	128	70	2.6	119.5	-4.6
Warrants		42	+1	43	14	-	-	-
Sphere Inc		24	-	24½	14	16.7	38.5	35.6
Zero Div Pf		65¼	-	69¼	60¼	-	-	-
Sphinx		75	-	75	38	-	-	-
TR City of Lon		139	-	140¼	155	2.3	94.3	20.5
TR Euro Growth		109	-	109	76	4.3	130.9	-6.8
Ptg Sub		47	-	58	27	1.5	116.0	6.0
TR Far East Inc		139½	-1½	146	112	3.0	-	-
Warrants		21¼	-1	43	22	4.1	142.0	2.1

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Tibbett & Britten		699	-	706	624	301.5	2.1	26.8
Tiphook		274	-14	382	173	301.1	7.9	5.4
Transport Dev.		235	+1	290	227	344.0	2.1	-
Vard NKr		£2¼	+⅛	£4	2⅛	68.7	-	-
Wah Kwong HK$		144	-	144	97½	182.2	2.2	7.0

WATER

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Anglian		491	-4	568	455	1,463	5.5	9.7
Bristol Water		883xd	-	845	775	52.7	4.3	Φ
Cheam A		343	-	345	195	17.2	4.1	Φ
B N/V		210	-	219	180	7.82	4.4	Φ
East Surrey		314	-	345	270	39.5	4.8	7.9
Mid Kent		301	+1	306	244	61.6	4.4	Φ
North West		478	-1	533	431½	1,711	5.0	8.2
Northumbrian		588	+4	652	547	282.8	5.0	6.8
Severn Trent		477	+2	533	439	1,702	5.5	7.0
Southern		491	-5	554	454	817.8	5.4	7.7
South Staffs		1350	-	1355	1225	76.8	4.4	Φ
South West		619	+1	569	482	849.2	5.7	8.5
Thames		480	-	563	434	1,911	5.4	8.6
Welsh		568	-9	612	509	810.7	4.1	8.5
Wessex		584	-4	*640	536	723.0	4.6	9.2
Yorkshire		490	-3	593	473½	874.1	5.4	8.4

SOUTH AFRICANS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		210¾	-	£10⅞	£7½	641.1	8.5	8.9
Barlow Rand		25⅝	+⅛	£10⅝	£5¼	1,290	5.2	3.7
Gold Flds Prop		107	+1	147	49	10.6	9.3	9.1
MK Props.		85	-	87	92	3.42	15.4	3.5
OK Bazaars		79	-	118	70	79.3	2.5	-
SASOL		289	+1	300	215	1,835	5.4	Φ
SA Brews		865	+3	960	753	4,708	3.1	14.7
Tiger Oats		600	-	750	538	901.3	2.6	13.7
Tongaat-Hulett		334	+2	338	212	288.3	4.4	9.7

PLANTATIONS

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Rubbers, Palm Oil							
Anglo-East		46	-	46	55	12.9	6.8
Bertam		113	-	110	82	23.1	6.5
Cons Plants MS		42	-	88	42	296.3	8.2
Golden Hope MS		37	-	48	37	388.5	6.8
Highlands MS		24	-	39	24	72.5	11.5
Kuala Kepong MS		74	-1	93	74	361.6	5.0
Rowe Evans		53	-	58	41	19.2	4.7
Teas							
Williamson		440	-	800½	325	14.1	8.2

MINES

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Central Rand							
Durban Deep		695	+19	709	129	16.2	-
East Rand Prp		254	+9	270	54	42.2	-
Randfont'n Est		814	-3	629	150	376.4	4.0
West Rand		82	-	86	45	2.54	-
Eastern Rand							
AFMN		1	-	1	8½	0.24	10.0
Bracken		43	-	46	18	6.02	29.2
East Daggs		188	-	180	62	13.1	‡
Eastern Trans.		57	-	62	10	48.2	4.3
ERGO		185	+4	201	47	84.9	6.2
Grootvlei		173	+4	187	49	18.8	8.8
Kinross		932	+19	930	332	147.8	5.4
Leslie		121	+3	136	25	18.4	5.4
Randex		10	-	20	4	0.91	-
Winkelhaak		932	+2	939	323	173.5	1.1
Far West Rand							
Blyvoor		110	+1	125	33	27.6	5.3
Buffels		767	-2	871	293	84.4	5.1
Deelkraal		130	+4	157	37½	138.4	4.3
Doornfontein		71	+7	98	7	29.4	-
Driefontein		873	+15	913	388	1,780	2.6
Elandsrand		506	+19	932	117	492.7	2.4
Hartebeest		389	+1	414	87	425.6	5.1
Kloof		873	+15	913	319	1,207	2.1
Southvaal		1804	+37	1825	24⅛	489.0	3.2
Stilfontein		105	-	109	10	13.7	6.0
Vaal Reefs		£50⅛	-½	£52⅞	218	980.6	4.4
Western Areas		274	+24	285	28	110.4	2.6
Western Deep		£22⅝	-⅛	£24⅞	£5⅞	627.0	2.8
Zandpan		98	+3	88	18	86.9	1.1
O.F.S.							
Beatrix		399	-	408	150	330.6	3.7
FS Cons		805	+19	839	292	980.6	6.3
Free State Dev		50	-	50	6	11.1	-
Harmony		319	+1	380	78	85.8	‡
Joel (H.J.)		38	-	45	14	34.3	-
Loraine		159	-	185	13	26.8	-
St Helena		634	-24	685	161	51.4	4.5
Unisel		171	-	201	58	47.9	1.6

MINES - Cont.

[illegible]

	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Kalis Minis IE		13	-	12	6	0.31	-
Kenmare		5	-	13½	6	9.01	-
Malinga Res.		14	-½	25½	13½	1.54	-
Navan Res IE		88½	-	168	25	14.7	-
5pc Ln Notes		88½	-	94¼	25	15.0	-
Oryx Gold		76⅛	-	79⅛	47	-	-
Ovoca Res IE		3½	-	3½	3½	0.24	-
RTZ		679	-	709	607	7,014	3.8
Vaccaya		5¼	-	5⅞	2⅛	3.08	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Figures based on IMR 'Headline Earnings' draft proposals. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT5855. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	157.4	159.9	167.2	+0.86	0.00
AIB Grofund Equity	5	201.4	206.5	218.5	-0.90	0.72
AIB Grofund Euro	5	157.0	159.8	171.1	+0.58	0.00
AIB Grofund East Balanced	1	100.8	102.8	106.0	-0.89	1.53
AIB Grofund Gilt	3	72.25	78.32	81.74	+0.18	4.88
AIB Grofund Japan	5	171.8	173.2	182.5	-0.40	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	6	421.0	423.2	450.2	-2.3	2.48
General Acc	6	462.5	464.3	494.8	-2.5	2.48
UK Growth Acc	6	308.7	311.0	330.8	-1.8	2.77
UK Growth Inc	6	217.4	220.3	234.4	-1.4	2.77
Higher Inc Acc	6	567.7	575.9	612.7	-1.7	3.71
Higher Inc Inc	6	344.8	349.8	372.2	-1.1	3.71
Gilts/Fxd Int Acc	5½	178.8	178.8	188.8	-0.8	6.07
Gilts/Fxd Int Inc	5½	93.70	93.70	98.95	+0.07	6.07
Nth America	6	254.0	258.0	279.4	+0.2	0.00
Far East	6	299.5	299.6	318.7	-1.7	0.16
Europe	6	224.5	227.3	241.8	-0.8	1.80
Brit Excel	6	62.71	62.71	66.72	-0.45	1.79
Brit Fndmtls Acc	6	57.18	68.52	64.10	-0.08	4.70
Brit Fndmtls Inc	6	67.00	68.67	73.08	-0.08	4.70
Global Opps	6	72.37	72.74	71.39	-0.23	0.05
Balanced Acc	6	47.20	47.77	50.82	[illegible]	2.76
Balanced Inc	6	47.20	47.77	50.82	+0.16	2.76

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	131.2	131.2	139.1	-0.1	6.70
High Inc Equity	6	149.2	149.9xd	159.4	-0.5	4.97
Worldwide Bond	0	289.0	289.0	295.1	-0.9	3.68
American Growth	0	294.2	294.2	314.0	+2.7	.95
Asian Pacific	0	234.9	289.4	234.6	-2.4	.23
Assets & Earnings	6	221.9	221.9xd	237.3	-1.3	2.21
Capital Reserve Acc	0	128.6	128.6	128.[illegible]	—	4.80
Comdty & Energy	6	93.25	93.25	99.73	+1.07	.95
1992 Enterprise	0	81.39	81.39	87.04	-0.39	1.61
Euro Capital Acc	6	110.4	110.4	118.5	-0.4	.95
Euro Capital Inc	6	103.8	103.8	111.0	-0.3	.57
General	0	202.5	206.3	219.4	-1.3	2.48

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sheppards Unit Trust Mngmt Ltd (1200)F

Singer & Friedlander UT Mngmt Ltd (1000)F

Smith & Williamson Unit Tst Mgrs (1600)F

Fidelity Investment Services Ltd

Fledgeling Charity Portfolio

Robert Fleming Asset Mngmt Ltd

Albany Life Assurance Co Ltd - Contd.

Century Life Plc - Contd.

Eurolife Assurance Company Ltd

Family Assurance Society

Hill Samuel Life Assur. Ltd - Contd.

Homeowners Friendly Society

M & G Life and M & G Pensions

Norwich Union Life Insurance Soc. - Contd.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capitol Life Assc. Co Ltd - Contd.				
Alpha Pension Funds				
UK Alpha		228.2	-1.4	-
US Alpha		123.1	+0.4	-
Gilt Alpha		91.6	+0.1	-
Gold Alpha		90.0	-0.3	-
Japan Alpha		45.2	-0.1	-
US Dollar Alpha		77.3	+0.2	-
Yen Alpha		81.3	-0.6	-
DM Alpha		98.6	-0.8	-
European Alpha		88.9	+0.1	-
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Gold Bonds (Pensions)				
Managed Fund		107.8	+0.5	-
Provident Mutual Life Assc. Assn.				
5 Hills Way Stevenage Herts SG1 2BT 0438 732000				
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Managed Jul 7	303.1	315.8		-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 0734 494852				

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	407.0	428.6	-1.10	-
Equity	505.0	531.8	-2.40	-
Property	243.9	256.7	-0.16	-
International	405.7	427.1	+0.40	-
Japanese	115.4	121.8	+0.60	-
Asia Pacific	141.7	149.2	-1.20	-
European	109.3	115.1	-0.50	-
American	147.8	150.7	+1.10	-
Fixed Interest	347.8	366.3	+0.10	-
Index-Linked Gilt	188.4	198.4	+0.10	-
Cash	220.6	232.3	—	-
Scottish Equitable Life Assce. Soc.				
28 St Andrew Sq, Edinburgh 031-556 0101				

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	6	£1.2381	1.2381	1.3129	+0.002	0.10
Gilt	6	£1.0044	1.0044	1.0357	+0.002	7.72
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70006						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	5	212.9	212.9	223.4	—	3.39
Growth (C & D)	5	320.6	320.6	336.7	+0.1	—
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	55.95	56.05	58.25	+0.08	7.55
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	5	$-	15.93	16.80	—	4.57
Sterling Bond	3	£-	9.939	10.28	+0.01	8.42
Sterling Cap		£-	42.86	42.86	+0.01	5.30
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	5	101.39	101.39	104.43	+0.05	5.00
Gilt & Fixed Interest	3	118.08	118.08	122.81	-0.12	7.53
Blue Chip & Gilt Edged	5	60.09	60.67	63.86	+0.20	3.57
International Bond	5	137.80	137.80	144.90	+0.37	4.89
UK Equity	5	268.07	263.40	277.26	-0.12	1.00
International Equity	5	180.29	182.89	192.51	+0.41	0.38
Far Eastern	5	170.94	174.20	183.37	-0.97	0.00
European	5	128.58	127.16	133.85	-0.38	0.00
Pan American	5	371.85	375.65	395.46	+4.94	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	107.13	107.13	110.63	+0.16	7.56
Monthly Share	3	108.35	108.35	109.65	+0.11	7.65

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Asian Selection Funds				
China	$7.873	8.287	-0.175	0.9
Hong Kong	$28.873	30.393	-1.134	0.4
Indonesia	$10.308	10.851	+0.006	0.0
Japan	$9.535	10.037	-0.083	0.0
Korea	$11.576	12.185	-0.110	0.0
Malaysia	$18.487	19.439	-0.316	0.0
Philippines	$16.462	17.328	-0.187	0.0
Singapore	$12.245	12.889	-0.127	0.0
Thailand	$20.459	21.504	-0.090	0.0
South East Asia	$24.885	26.195	-0.396	0.0
US Dollar Liquidity	$9.966	10.044	—	0.9
Cater Allen Investment Management (CI)				
CA Gilt Income	£8.08	8.36	—	15.72
CA Equity Earth	£4.70	8.23	—	2.11

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Banque Scandinave a Luxembourg SA - Contd.						
Skandifond Bond Fund						
Bond Intl. Acc	1	$-	12.71	12.95	-0.04	6.64
Europe Bond Acc	1	£-	1.51	1.54	-0.02	7.15
Bond DEM Acc	1	DM-	1.23	1.26	—	6.64
Bond USD Acc	1	$-	1.42	1.44	—	6.78
Bond Sweden Acc	1	SKr-	16.57	16.75	—	10.8
Skandifond International Sicav						
Intl Emerging Markets	5	$-	1.08	1.12	—	—
Barclays Diversified Portfolio						
14 rue Aldringen L-1118 352 4799 2938						
IPB Deutschmark Reserve		DM-	51.97	—	—	—
IPB Sterling Reserve		£-	10.39	—	—	—
IPB Swiss Franc Reserve		SFr-	30.84	—	—	—
IPB US Dollar Reserve		$-	20.34	—	—	—
IPB European Bond		Ecu-	17.06	—	—	—
IPB North American Bond		$-	21.38	—	—	—
IPB Espana		Pta-	2787	—	—	—
IPB Europe		Ecu-	10.10	—	—	—
IPB Japan		Y-	27.73	—	—	—
IPB Pacific Rim		$-	28.11	—	—	—
IPB United Kingdom		£-	11.04	—	—	—
IPB United States		$-	21.11	—	—	—
Barclays Inv Funds (Luxembourg)						
41 Avenue de la Gare L-1611 010 352 404344						
Equity Funds						
European Equity	5¼	£-	0.925	0.980	-0.003	0.3
Intl Equity	5¼	$-	1.456	1.549	—	0.3
North Am Equity	5¼	$-	35.94	38.09	+0.050	0.3
Pacific Eq	4¾	$-	6.338	6.739	-0.002	0.5
UK Equity	5¼	£-	1.102	1.173	-0.005	0.5
Bond Fund						
International Bond	3½	$-	99.40	103.03	-0.159	5.3
CMI Asset Management (Luxembourg) SA						
203 route d'Arlon, L-1150 Lux 010 352 458025						
CMI Managed Portfolio Investment Company (e)						
Safeguard Portfolio F.		£-	1.281	1.364	+0.008	—
Growth Portfolio F.		$-	1.148	1.223	+0.004	—
Enterprise Portfolio F.		£-	1.103	1.175	+0.001	—
CMI Global Network Fund (m)						
Australian Equity		A$-	13.388		+0.064	—
Benelux Equity		DG-	22.065		-0.050	—
Canadian Equity		C$-	10.043		+0.155	—
SE Asia Equity		$-	13.306		-0.396	0.95
French Equity		FFr-	62.702		+0.709	0.94
German Equity		DM-	19.187		-0.085	—
Iberian Equity		Pta-	741		-1	0.01
Irish Equity		I£-	4.431		+0.002	—
Italian Equity		L-	7733		-23	—
Japanese Equity		Y-	1352		—	—
Nordic Equity		SKr-	47.578		-0.705	—
Swiss Equity		SFr-	22.990		+0.080	—
UK Equity		£-	6.564		-0.035	1.11
US Equity		$-	13.842		+0.050	0.95
Japan Index Tracking		Y-	859		+4	—
UK Eqty Index Tracking		£-	6.271		+0.023	2.23
US Eqty Index Tracking		$-	12.407		-0.145	1.18
German Bond		DM-	23.890		+0.021	6.17
Japanese Bond		Y-	1075		+1	4.09
Swiss Bond		SFr-	22.438		-0.049	4.32
UK Bond		£-	8.623		+0.012	8.12

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

FOREIGN EXCHANGES

Germany supports franc

The Bundesbank intervened to support the French franc yesterday as the French currency continued to face strong speculative pressure, writes Stephanie Flanders.

In early morning trading the franc fell as low as FFr3.4125 against the D-mark, less than 2 centimes above its ERM floor against the D-mark of FFr3.4305. The intervention caused some firming in the middle of the day, but afterwards the franc continued to fall, closing at FFr3.416 from a previous FFr3.399.

The Bundesbank's purchases of francs came after supportive comments by Mr Theo Waigel, the German finance minister, who reaffirmed the close ties between Germany and France and expressed confidence in the fundamentals of the French economy.

The day's developments confirmed the market belief that to have a positive effect, action to support the French currency would have to come from Germany, rather than France. "Because the trigger for recent events has been the French need to cut interest rates, traders are not likely to take an increase in French rates seriously," one trader said.

Dealers now expect the Bundesbank to shave a few basis points from the repo rate when it is announced tomorrow. The more important possibility is a cut in the German Lombard rate when the Bundesbank council meets on Thursday, but opinion is divided about whether this will occur.

"There is increasing optimism that there will be further rate adjustment before the summer recess," said one London-based dealer. "But the people expecting a cut on Thursday are being a little premature."

On balance, most thought that the Bundesbank would do its best to hold out until the council meeting on July 29 before a further cut in rates. Rate reductions before then would risk a domestic bond market backlash, since little has changed to German economic conditions in the ten days since rates were last cut.

However, the precipitous decline of the franc once the Bundesbank had left the market cast doubt on the German authorities' ability to hold out. "The bottom line," said Julian Jessop at Midland Global Markets in London, "is thet Germans will cut rates if they have to."

Some thought that even a cut in German rates would not be enough to avert a crisis: "this is about confidence in two economies not the level of interest rates," one London-based trader opined.

The dollar benefited from its status as a safe haven currency, as well as the fact that European interest rates are expected to fall soon. It made steady gains against the D-mark to close at DM1.729 from Friday's close of DM1.721.20.

During the day, sterling seemed to benefit from its isolation from the ERM, but it later closed unchanged against the D-mark at DM2.55.

£ IN NEW YORK

Jul 12	Latest	Previous Close
£ Spot	1.4785-1.4795	1.4805 1.4815
1 month	0.40-0.39pm	0.37 0.36pm
3 months	1.02-1.00pm	1.01 0.99pm
12 months	3.03-2.93pm	3.05 2.95pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	186.865	-3.11	5.12	52
Spanish Peseta	154.250	149.995	-2.76	4.74	48
Irish Punt	0.808628	0.808882	0.01	1.85	19
Dutch Guilder	2.19672	2.19731	0.03	1.83	20
Belgian Franc	40.2123	40.2846	0.10	1.67	13
D-Mark	1.94964	1.95381	0.21	1.64	15
French Franc	6.53883	6.65781	1.82	0.04	-77
Danish Krone	7.43679	7.57478	1.86	0.00	-85

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

STERLING INDEX

POUND SPOT - FORWARD AGAINST THE POUND

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

Korea(Sth)	1184.80 - 1203.90	801.90 - 806.30
Kuwait	0.44600 - 0.44700	0.30150 - 0.30200
Luxembourg	52.85 - 52.75	35.60 - 35.70
Malaysia	3.7990 - 3.8065	2.5765 - 2.5775
Mexico	4.6125 - 4.6155	3.1250 - 3.1270
N.Zealand	2.6820 - 2.6880	1.8170 - 1.8195
Saudi Ar	5.5315 - 5.5425	3.7495 - 3.7505
Singapore	2.3975 - 2.4035	1.6285 - 1.6295
S.Af (Cm)	4.9575 - 4.9685	3.3550 - 3.3570
S.Af (Fn)	6.8045 - 6.8190	4.6100 - 4.6200
Taiwan	39.10 - 39.25	26.50 - 26.60
U.A.E.	5.4155 - 5.4275	3.6715 - 3.6735

EXCHANGE CROSS RATES

Jul 12	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	1.478	2.555	162.0	8.727	2.260	2.875	2348	1.888	52.70	196.2	1.310
$	0.677	1	1.729	109.6	5.905	1.529	1.945	1589	1.277	35.66	132.7	0.886
DM	0.391	0.578	1	63.41	3.416	0.885	1.125	919.0	0.739	20.63	76.79	0.513
YEN	6.173	9.123	15.77	1000.	53.87	13.95	17.75	14494	11.65	325.3	1211	8.086
F Fr.	1.146	1.694	2.928	185.6	10.	2.590	3.294	2691	2.163	60.39	224.8	1.501
S Fr.	0.442	0.654	1.131	71.68	3.862	1	1.272	1039	0.835	23.32	86.81	0.580
N Fl.	0.348	0.514	0.889	56.35	3.035	0.786	1	816.7	0.657	18.33	68.24	0.456
Lira	0.426	0.629	1.088	68.99	3.717	0.963	1.224	1000.	0.804	22.44	83.56	0.558
C $	0.530	0.783	1.353	85.81	4.622	1.197	1.523	1244	1	27.91	103.9	0.694
B Fr.	1.898	2.806	4.848	307.4	16.56	4.288	5.455	4455	3.583	100.	372.3	2.486
Pta	0.510	0.753	1.302	82.57	4.446	1.152	1.465	1197	0.962	26.86	100.	0.668
Ecu	0.763	1.128	1.950	123.7	6.662	1.725	2.195	1792	1.441	40.23	149.8	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

BASE LENDING RATES

Adam & Company 6	Cyprus Popular Bank 6	Mount Banking 6
Allied Trust Bank 6	Duncan Lawrie 6	NatWestminster 6
AIB Bank 6	Equatorial Bank plc 6	Nykredit Mortgage Bnk 6.5
Henry Ansbacher 6	Exeter Bank Limited 7	Rea Brothers 6
B & C Merchant Bank 13	Financial & Gen Bank 7	Roxburghe Guarantee 6
Bank of Baroda 6	Robert Fleming & Co 6	Royal Bk of Scotland 6
Banco Bilbao Vizcaya 6	Girobank 6	Smith & Williamson Secs 6
Bank of Cyprus 6	Guinness Mahon 6	Standard Chartered 6
Bank of Ireland 6	Habib Bank AG Zurich 6	TSB 6
Bank of India 6	Hambros Bank 6	United Bk of Kuwait 6
Bank of Scotland 6	Heritable & Gen Inv Bk 6	Unity Trust Bank Plc 6
Barclays Bank 6	Hill Samuel 6	Western Trust 6
Brit Bk of Mid East 6	C. Hoare & Co 6	Whiteaway Laidlaw 6
Brown Shipley 6	Hongkong & Shanghai 6	Wimbledon & Sth West 7
CL Bank Nederland 6	Julian Hodge Bank 6	Yorkshire Bank 6
Citibank NA 6	Leopold Joseph & Sons 6	
City Merchants Bank 6	Lloyds Bank 6	● Members of British Merchant Banking & Securities Houses Association
Clydesdale Bank 6	Meghraj Bank Ltd 6	
The Co-operative Bank 6	Midland Bank 6	
Coutts & Co 6		
Credit Lyonnais 6		

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

MONEY MARKETS

French rates jumpy

French money market rates were jittery yesterday reflecting uncertainty about the immediate outlook for the franc, writes Stephanie Flanders.

The nature of the pressure facing the franc makes it difficult for traders to know which way to jump. The market still feels that the French authorities are desperate to cut interest rates for the sake of the domestic economy. But there is a realisation too, that the selling of the French currency is exerting upwards pressure on market rates.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Three month French money market rates moved slowly upwards through the course of the day, closing at around 7.87 per cent compared to their opening level of 7.75 per cent. One dealer suggested this was more for lack of anything better to do than any clear sense of direction.

French interest rates futures markets were even more subdued. The September Pibor contract rose 2 basis points, closing at around 93.02, although the bid-ask spread was narrow enough that this amounted to no change from this morning's opening.

The Bank of England forecast a small shortage of £850m in the morning which was later revised upwards to £900m. This was dispatched by early afternoon in discount market dealing. Overnight rates fell to 4 per cent.

Further out, rates were mostly unchanged. The three-month interbank rate continued to reflect a very slight easing of monetary policy by tha autumn.

Generally UK money markets were quiet with dealers distracted by events on the continent. They were also awaiting a string of official data due this week. The first of these, May's producer prices index, failed to move the markets in any way. One trader said that traders were preparing for a long, dull summer.

● German call money traded in a relatively broad span of 7.35/50 per cent yesterday as the market weighed up the chances of a cut in key Bundesbank interest rates to allay tensions in the EMS currency grid. At the end of last week call money had been at 7.40/45 per cent. Dealers speculated that the central bank might alleviate pressure from the D-Mark's regainad strength on other European currencies through a token cut in its repo rate or even a reduction of the 8.25 per cent Lombard rate.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jul 12)	3 months US dollars		6 months US Dollars	
	bid 3 3/16	offer 3 5/16	bid 3 1/2	offer 3 1/2

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds	
Prime rate	6	One month	
Broker loan rate	5	Two month	
Fed.funds	3 1/8	Three month	
Fed.funds at intervention	-	Six month	
		One year	
		Two year	

Jul 12	Overnight	One Month	Two Months
Frankfurt	7.30-7.45	7.35-7.45	7.30-7.40
Paris	[illegible]	8.40-9.00	-
Zurich	[illegible]	[illegible]	-
Amsterdam	7.00-7.12	6.98-7.03	-
Tokyo	[illegible]	[illegible]	-
Milan	9 1/2-10	[illegible]	-
Brussels	-	[illegible]	-
Dublin	6 3/4-7	7-7 1/4	6 7/8-7 1/8

LONDON MONEY RATES

Jul 12	Overnight	7 days notice	One Month
Interbank Offer	6 1/4	6	6
Interbank Bid	4	5 7/8	[illegible]
Sterling CDs	-	-	6
Local Authority Deps.	5 7/8	5 7/8	[illegible]
Local Authority Bonds	-	-	-
Discount Mkt Deps	0 1/2	0	-
Company Deposits	-	-	-
Finance House Deposits	-	-	[illegible]
Treasury Bills (Buy)	-	-	[illegible]
Bank Bills (Buy)	-	-	[illegible]
Fine Trade Bills (Buy)	-	-	-
Dollar CDs	-	-	3.01
SDR Linked Dep. Offer	-	-	[illegible]
SDR Linked Dep. Bid	-	-	[illegible]
ECU Linked Dep. Offer	-	-	[illegible]
ECU Linked Dep. Bid	-	-	[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close July 12

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close July 12

[illegible]

Total Sales 19,7[illegible] shares

INDICES

NEW YORK

DOW JONES

	July 9	July 8	July 7	July 6	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3521.06	3514.42	3475.67	3449.50	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	107.83	107.85	107.80	107.81	107.75 (29/6)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1509.16	1519.25	1499.29	1528.07	1683.08 (16/4)	1453.84 (4/1)	1683.00 (16/4/93)	12.32 (8/7/32)
Utilities	246.05	245.44	244.88	243.84	247.88 (16/4)	217.14 (8/1)	247.88 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3544.09 (3532.41) Low 3490.89 (3462.38) (Theoretical◆)
Day's High 3527.98 (3516.81) Low 3507.50 (3475.39) (Actual◆)

STANDARD AND POOR'S

	July 9	July 8	July 7	July 6	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	448.13	448.64	442.83	441.43	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	508.48	508.65	503.56	501.83	524.98 (10/3)	496.48 (26/4)	524.98 (10/3/93)	3.62 (21/6/32)
Financial	45.79	45.87	45.09	44.14	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	248.19	248.33	245.68	245.07	251.38 (10/3)	236.27 (8/1)	251.38 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	434.37	432.55	431.79	433.77	440.95 (4/6)	355.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	705.81	702.71	698.79	702.22	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	Jul 2	Jun 25	Jun 18	year ago (approx.)
Dow Industrial Div. Yield	2.96	2.95	2.95	3.10
	Jul 7	Jun 30	Jun 23	year ago (approx.)
S & P Industrial div. yield	2.56	2.51	2.55	2.88
S & P Indl. P/E ratio	24.89	25.42	25.04	26.45

	July 12	July 9	July 8	July 1
AUSTRALIA				
All Ordinaries (1/1/80)	1801.8	1782.9	1782.5	1773.0
All Mining (1/1/80)	856.7	841.2	845.6	843.0
AUSTRIA				
Credit Aktien (30/12/84)	351.64	348.80	343.84	338.1
Traded Index (2/1/91)	876.75	868.39	859.02	834.49
BELGIUM				
BEL20 (1/1/91)	1318.33	1301.58	1285.21	1276.32
DENMARK				
Copenhagen SE (3/1/83)	311.32	311.23	311.62	312.06
FINLAND				
HEX General (28/12/90)	1245.5	1251.8	1253.3	1248.8
FRANCE				
CAC General (31/12/81)	540.82	548.04	535.86	532.89
CAC 40 (31/12/87)	1992.22	1985.70	1980.37	1943.73
GERMANY				
FAZ Aktien (31/12/58)	687.32	688.90	687.11	683.65
Commerzbank (1/12/53)	1987.2	1979.2	1966.0	1988.1
DAX (30/12/87)	1815.55	1797.41	1783.70	1719.76
HONG KONG				
Hang Seng Bank (31/7/64)	6952.59	7070.61	7122.39	7141.11
IRELAND				
ISEQ Overall (4/1/88)	1617.67	1615.03	[illegible]	[illegible]
ITALY				
Banca Com. Ital. (1972)	546.00	544.24	[illegible]	[illegible]
MIB General (4/1/83)	1205.0	1201.0	[illegible]	[illegible]
JAPAN				
Nikkei (16/5/49)	19880.00	19677.39	[illegible]	[illegible]
Tokyo SE (Topix) (4/1/68)	1613.68	1608.62	[illegible]	[illegible]
2nd Section (4/1/68)	2222.62	2215.32	[illegible]	[illegible]
MALAYSIA				
KLSE Composite (4/4/86)	722.82	728.05	[illegible]	[illegible]
NETHERLANDS				
CBS Tot.Rtn.Gen.(End 1983)	354.3	354.0	[illegible]	[illegible]
CBS All Shr (End 1983)	232.5	232.3	[illegible]	[illegible]
NORWAY				
Oslo SE (Ind) (2/1/83)	852.63	843.37	[illegible]	[illegible]
PHILIPPINES				
Manila Comp (2/1/85)	1629.79	1631.50	[illegible]	[illegible]
SINGAPORE				
SES All-Singapore (2/4/75)	444.33	449.58	[illegible]	[illegible]
SOUTH AFRICA				
JSE Gold (28/9/78)	1976.0♥	1972.0	[illegible]	[illegible]
JSE Industrial (28/9/78)	4638.0♥	4659.0	[illegible]	[illegible]
SOUTH KOREA**				
Korea Comp Ex. (4/1/80)	769.07	770.46	[illegible]	[illegible]
SPAIN				
Madrid SE (30/12/85)	258.34	258.56	[illegible]	[illegible]
SWEDEN				
Affarsvarlden Gen. (1/2/37)	1127.6	1115.2	[illegible]	[illegible]
SWITZERLAND				
Swiss Bank Ind. (31/12/58)	1044.6	1042.1	[illegible]	[illegible]
SBC General (1/4/87)	825.1	822.4	[illegible]	[illegible]
TAIWAN**				
Weighted Price (30/6/66)	4078.71	4068.47	[illegible]	[illegible]
THAILAND				
Bangkok SET (30/4/75)	905.18	907.64	[illegible]	[illegible]
WORLD				
M.S. Capital Intl.(1/1/70) $	(u)	561.1*	[illegible]	[illegible]
Euro Top-100 (26/6/90)	1030.48	1025.68†	[illegible]	[illegible]

**Saturday July 10: Taiwan Weighted Price: 4079.59, Korea Comp [illegible]
♥ Subject to official recalculation. † Correction.

Base values of all indices are 100 except Austria Traded, BEL20, [illegible] 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia [illegible]

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Galen Health	4,030,400	20⅛	+ ⅞
Gen Motors	3,301,900	47½	+ ⅝
Philip Morris	3,095,800	49⅛	+ ¾
Sunshine Min	2,948,400	3	—
Avnet	2,836,500	33⅞	- ¼
Bristol Myers	2,805,100	58¾	+ ⅛
USAir	2,677,100	14¾	- ⅝
Centerior	2,625,800	18½	—
Pepsico	2,473,800	35½	- ⅞
Policy Mgmt	2,353,600	28⅛	- ¼

TRADING ACTIVITY

† Volume Millions	July 9	July 8	July 7
New York SE	233.514	282.873	248.434
Amex	17.860	19.581	16.717
NASDAQ	213.730	254.671	236.009
NYSE			
Issues Traded	2,557	2,587	2,570
Rises	1,068	1,286	1,014
Falls	831	718	888
Unchanged	658	585	668
New Highs	98	114	109
New Lows	24	30	23

CANADA

TORONTO	July 9	July 8	July 7	July 6	1993 HIGH	1993 LOW
Metals & Minerals	2974.79	2958.75	2983.08	3013.00	3030.48 (2/7)	2743.31 (21/1)
Composite	3927.40	3920.90	3972.72	3984.40	3997.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1888.16	1884.82	1902.98	1909.51	1939.10 (25/6)	1730.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - Most Active Stocks

Monday, July 12, 1993

[illegible]

4 pm close July 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR Corp	0.48	8.6	24	35	13⅝	13⅜	13⅜	-⅛
29⅜	20	A L Labs A	0.16	0.7	43	66	25¼	24⅞	24⅞	-⅞
63⅞	54⅝	AMP Inc	1.60	2.6	00	1080	62	61⅜	61⅝	+⅛
72¾	55½	AMR			9	4212	61½	60¼	61	-½
2⅜	1⅝	ARX			15	131	u2¾	2⅝	2⅝	-⅛
61½	29⅞	ASA	2.00	4.1	32	653	49	48¼	48⅞	+¾
30¾	22⅝	Abbott Lab	0.68	2.7	16	11363	25⅞	25⅜	25½	+¼
12⅝	10¼	Abitibi Pr	0.50	4.7	4	12	10⅝	10½	10⅝	+¼
14⅛	8¼	Acptncein			216	277	15⅛	13	15	
32	26½	ACE Ltd	0.40	1.4		214	29½	23	29½	+½
11⅞	19¾	ACM Gvt In x	0.98	0.1		261	u11⅞	11¾	11⅞	
10	9⅛	ACM GvOpp x	0.80	8.2		24	u10	9¾	9¾	-⅛
9⅞	6¾	ACM Gvt Sp x	0.80	8.6		456	u9⅞	9⅜	9⅝	+⅛
11½	10½	ACM Gvt Se	0.96	8.4		269	u11½	11⅜	11⅜	-¼
11¼	9⅝	ACM Mun x	1.00	8.6		259	u11⅝	11¼	11⅝	+¼
9⅜	8⅝	ACM Managd x	0.72	7.9		05	9¼	9⅛	9⅛	-⅛
12⅝	7¾	Acme Cleve	0.40	8.6	14	119	12¼	11⅞	11⅞	-⅝
8¼	6½	Acme Elect			254	13	7¾	7⅝	7⅝	-⅛
24¾	10⅝	Acordia	0.44	2.0	13	20	22½	22¼	22¼	-⅜
18	10⅞	Acuson			12	488	11⅞	11½	11⅝	
22¼	19⅝	Adams Expr	0.48	2.3	1	78	20¾	20½	20⅝	-⅛
53	45½	Ad Micro	3.00	5.5		154	54¾	53¾	54½	
32¾	17⅝	Ad Micro P	3.00	12.2	9	5780	25	24⅛	24⅝	-¼
7¾	9½	Advest Grp	0.16	2.7	0	4	5⅞	5¾	5⅞	
24¾	10	Advo Inc	0.95	0.4	20	516	18¾	18¼	19¾	+¼
49⅝	41⅛	Aegon ADR	2.95	0.7	6	179	44¼	44	44	-¾
58¼	43⅝	Aetna Lf	2.76	4.9	144	1239	u56⅞	55⅞	56½	+½
14½	11½	Ahdl A	0.26	1.9	32	474	12⅞	15¾	13⅞	
32¾	28½	Aflac	0.40	1.4	15	556	29	28⅝	28¾	-¼
22⅛	16¾	Ahmanson	0.80	4.7	22	1360	10	16⅝	16¾	
7⅝	4	Aileen Inc			7	310	4⅞	4⅝	4⅝	
48½	37½	Air Pr Chm	0.92	2.2	19	1696	41⅛	40¾	41½	+1

[illegible]

Continued on next page

4 pm close July 12

NYSE COMPOSITE PRICES

Continued from previous page

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close July 12

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close July 12

AMERICA

Dow subdued in cautious start to week

Wall Street

US share prices were stuck in a narrow range amid light trading yesterday as dealers and investors prepared for this week's important inflation data and the start of the quarterly reporting season, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 1.66 at 3,522.72. The more broadly based Standard & Poor's 500 was 0.60 firmer at 448.73, while the Amex composite was up 2.51 at 436.88, and the Nasdaq composite up 1.33 at 707.14. Trading volume on the NYSE was 115m shares by 1 pm, and rises outnumbered declines by 894 to 831.

The week opened on a subdued note, with volume light by recent standards and prices trapped close to opening values. The lack of activity was due primarily to caution ahead of this week's inflation figures. The June producer prices index is due to be released today, and the consumer prices index tomorrow, and although analysts have forecast good inflatioo news, investors were reluctant to trade in front of the figures.

The start of the reporting season, which will get under way in earnest this week, also seemed to be keeping many on the sidelines.

Ford, which has been well-bid in recent weeks, ran into heavy selling after a downgrade by the broking house Salomon Brothers, and a cut in its earnings forecast. Salomon's analyst said that he was concerned by the deterioration in the manufacturer's product mix, in particular its growing reliance on fleet sales. Ford fell $2¾ to $50 in volume of 1.4m shares.

The rest of the sector, however, held up reasonably well, in spite of suffering a brief setback at the opening. General Motors firmed $¼ to $47¼ and Chrysler eased only $⅛ to $47⅞.

The Federal National Mortgage Association, the country's largest mortgage provider, climbed $1¼ to $85⅞ in busy trading after the company announced second quarter earnings of $458.8m, the 22nd consecutive quarter of record profits.

Merck eased $⅝ to $34¼ in response to the announcement, released late last Friday, that Mr Richard Markham, the company's president and chief operating officer, had resigned.

Aluminum Company of America (Alcoa) fell $⅞ to $70⅜ after reporting second quarter earnings down 21 per cent, before special items, from a year earlier.

Home Shopping Network climbed $⅜ to $13¼ in volume of 2.3m shares after its main rival, the QVC Network, proposed a merger between the two in a stock swap transaction. QVC, traded on the Nasdaq market, jumped $2½ to $67⅞.

Canada

TORONTO's gold and energy issues rebounded from last week's soft levels, taking the TSE 300 composite index up 15.36 to 3,942.79 after a week of consolidation. Volume fell from 33.6m shares to 22.4m.

Precious metals shares were outstanding, the gold and silver index showing a gain of 166.14, or 1.8 per cent to 9,329.58 at 12.30 pm, but oil and gas shares were not far behind with a noon rise of 61.24 to 4,712.64.

SOUTH AFRICA

GOLD shares receded from higher opening levels as investors remained wary of bullion's short term potential, some brokers said. The golds index finished just 4 np at 1,976 after a day's peak of 2,018. Industrials weakened 21 to 4,638 and the overall index declined 14 to 4,103.

EUROPE

Frankfurt bourse sets a new three-year high

INSTITUTIONAL enthusiasm for German equities, and the interlinked strength of the US dollar gave bourses a reasonably good day, *writes Our Markets Staff.*

FRANKFURT extended its official session to make up for early technical problems, and ended the official session close to its best. The DAX index closed another 20.76 higher at 1,818.17, its highest for nearly three years. German turnover fell back to DM10.6bn after Friday's DM14.3bn.

Mr Nigel Longley of Commerzbank in Frankfurt credited G7 tariff cuts, and apparent agreement about the prospect for further interest rate cuts between the Chancellor, Mr Helmut Kohl, and the Bundesbank president, Mr Helmut Schlesinger, for the changing tide of US, French and domestic investment opinion about German equities.

"A couple of weeks ago," he said, "everybody had decided what to buy in Germany – once the market had consolidated between 1,650 and 1,680. It did not consolidate," he added, "and it impressed a lot of people that German institutions were buying strongly in the latest rally".

The institutions were apparent yesterday when share price rises were mixed in scale but the market leaders, Daimler, Siemens and Deutsche Bank, rose by DM16 to DM666, DM12.20 to DM655.50, and DM9 to DM734.50 respectively.

A number of the big blue chips, including the Bavarian mortgage banks, and BMW and Hoechst, did relatively little; and Volkswagen actually fell DM1.50 to DM371.50 on news that papers had been found in connection with allegations of industrial espionage against VW by the General Motors subsidiary, Adam Opel.

VW was as much as DM9.50 lower on the Ibis market where, after hours, profit-taking took the indicated DAX to 1,805 before it closed at 1,808.51.

PARIS took little inspiration from domestic news, either the slightly better than expected June inflation data or the three times oversubscription for the "Balladur" bond. In spite of continuing pressure on the franc in the currency markets the CAC-40 index moved up 6.52 to 1,992.22.

Roussel-Uclaf eased FFr17 to FFr558 as the stock was requoted following the sale by Rhone Poulenc, up FFr3.30 to FFr149.00, of its 35 per cent stake which was priced at FFr553 per share.

Accor gained FFr19 to FFr642 on news that an Australian group planned to purchase its hotel interests in the Asia-Pacific region.

AMSTERDAM's CBS Tendency index gained another 0.6 points to 117.3 with strong overseas interest seen in DSM. The chemicals group put on Fl 4.20 to Fl 99.30 as it benefited from recent interest in cyclicals. The shares have risen by more than 46 per cent since they hit an all time low in March.

MILAN remained subdued ahead of today's expiry of options contracts, while investors were also awaiting details of the government's budget proposals which are expected later this week. The Comit index closed up 1.76 at 546.00.

Many of the budget details have already leaked out in the domestic media. According to NatWest Securities in London, the proposals are expected to bring further spending cuts rather than new taxes.

Fiat gained L77 to L6,482 at the fix, before easing back to L6,435 on the kerb as profits were taken. There have been repeated rumours that the Italian group might be considering a strategic alliance with Peugeot.

Ferruzzi fell L46.10 to L416.70: an executive of a subsidiary was arrested at the weekend in connection with the wide-ranging investigation into bribery.

BRUSSELS outpaced most bourses as foreign buying took the Bel-20 index up 16.77, or 1.3 per cent to 1,318.33 in high turnover of BFr1.2bn.

Ms Alison Kirk at Williams de Broë said that the share price gains were broadly based, reflecting the potential effect of German interest rates, and a rising dollar on the Belgian corporate economy.

STOCKHOLM closed at a new high for the year, mainly in reaction to the strength of the dollar. The Affärsvärlden general index gained 12.40 or 1.1 per cent to 1,127.60 as turnover dropped to SKr755m from Friday's SKr871m.

Ericsson B shares, the day's most active issue, rose to an all time high with a gain of SKr4 to SKr352.

The building and construction sector rose by 4 per cent on hopes of economic recovery, with Skanska up SKr7 to SKr125.

VIENNA's ATX index ended 8.36 higher at 876.75, but the move did not reflect the market's real gains as four stocks went ex dividend, including the miner, Veitscher, which rose Sch10, ex a Sch6 dividend, to Sch272 and the builder, Universale, which fell Sch5 to Sch935, ex Sch20.

ISTANBUL recovered some of last week's losses, although most investors remained nervous in spite of an indication from the government that tougher action would be taken against the Kurdistan Workers Party, which is seeking a separate homeland in south east Turkey.

The composite index gained 462.9 or 4.5 per cent to 10,745.0 in turnover down to TL554bn from Friday's TL639.5bn.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

July 12 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1230.05	1230.86	1231.42	1231.83	1234.54	1234.69	1233.56	1232.90
FT-SE Eurotrack 200	1274.12	1276.51	1276.53	1276.52	1278.67	1277.55	1275.62	1274.63

	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5
FT-SE Eurotrack 100	1230.56	1225.73	1211.33	1203.04	1197.61
FT-SE Eurotrack 200	1270.12	1270.80	1260.04	1257.80	1253.51

Base value 1000 (26/10/90) High/day: 100 - 1235.20; 200 - 1280.47 Low/day: 100 - 1229.80 200 - 1273.57

ASIA PACIFIC

Nikkei average rises on hopes of an interest rate cut

Tokyo

HOPES OF an interest rate cut brought buying and this, together with speculation on a reduction in income taxes, enabled the Nikkei average to break briefly through the 20,000 level during the session for the first time since June 16, *writes Emiko Terazono in Tokyo.*

The 225-issue index was finally 102.61 firmer at 19,980.00, after a day's high of 20,011.70 and low of 19,889.89.

Prices eased back later from their earlier highs on reports of the bankruptcy of an over-the-counter company, and uncertainty over financial support for EIE International, an unlisted speculative property developer.

Volume fell to 230m shares from 473m. Advances led declines by 542 to 419, with 181 issues unchanged. The Topix index of all first section stocks rose 5.06 to 1,613.68. In London the ISE/Nikkei 50 index was unchanged at 1,227.62.

The yen weakened as the US-Japan bilateral talks ended with a trade framework agreement calling for Japan to decrease its current account surplus by increasing domestic demand and expanding market access for foreign products.

The dollar closed Y1.60 up at Y109.93, helping leading exporters. Hitachi appreciated Y10 to Y851, Matsushita Electric Industrial gained Y30 at Y1,300 and Toyota Motor added Y30 at Y1,580.

Long Term Credit Bank and leading creditor banks of EIE International announced that they would abandon restructuring of the company and write off their exposure. Sea Com, an affiliate listed on the second section of the TSE, was suspended, while another affiliate, Electronic and Industrial Enterprises, was also suspended on the OTC market.

Phoenix Electric, a lighting equipment maker on the OTC market, was another suspension, this time due to a subsidiary filing for bankruptcy.

Nikkatsu, the movie producer which recently filed for court protection, was the most active issue of the day. It accounted for 30 per cent of total volume and rose Y4 to Y29 in speculative trading.

Some financials gained ground on hopes of lower interest rates, with Industrial Bank of Japan moving up Y10 to Y3,060 and Fuji Bank advancing Y40 to Y2,490.

Firm sales of new condominiums for June lifted real estate companies and housing linked issues. Mitsui Fudosan rose Y10 to Y1,290.

In Osaka, the OSE average ended 28.99 ahead at 21,959.22 in volume of 11.6m shares. Many investors remained inactive ahead of the general election this weekend.

Roundup

THERE WAS a mixture of performances from the region's markets yesterday.

AUSTRALIA broke through the 1,800 level for the first time since October 1987 as investor demand spilled over from the successful flotation of Woolworths. The All Ordinaries index closed 18.9 higher at 1,801.8; trading was extended by 3½ hours to cope with the new listing.

Shares in Woolworths reached A$2.98 within a minute of listing, against an issue price of A$2.45, and finished with a 36-cent premium at A$2.81. Turnover in the stock was estimated at A$91.8m, boosting market turnover to A$604.2m.

HONG KONG fell back sharply on selling by overseas institutions, but losses were trimmed by late bargain hunting. The Hang Seng index finished 118.02, or 1.7 per cent, off at 6,952.59, after an earlier fall of 167 points.

The current uncertainty in Sino-British talks on the future of the colony continued to depress sentiment. Turnover was a thin HK$2.9bn, against Friday's HK$3.3bn.

TAIWAN slipped back slightly on profit-taking and the weighted index closed 0.88 off at 4,073.71. Turnover shrank to T$16.3bn from the T$21.1bn registered during Saturday's half-day session.

The Investment Commission reported yesterday that new foreign investment in the country had declined by 24 per cent in the first six months, compared with the same period in 1992.

On a regional basis, investment from Japan and the US dropped by 60 per cent and 24 per cent respectively. However, investment from Europe climbed by 72 per cent.

MANILA relinquished a little ground on profit-taking following last week's rally. The composite index closed 1.71 down at 1,629.79 in turnover of 392.8bn pesos, compared with Friday's 355.8bn pesos.

SINGAPORE was led lower by weakness in bank and shipyard shares. The Straits Times Industrial index fell 20.45, or 1.1 per cent, to 1,777.16. Volume dropped to 95.4m shares from Friday's 126.3m.

BOMBAY fell in thin trading, the BSE index losing 33.73 at 2,181.10. Brokers said the downward trend in the official trading session continued in after-hours' kerb deals.

COLOMBO was firmer on strong demand for bank and hotel shares. The all-share index rose 11.95 to 571.65 while turnover eased to Rp106.2m from Friday's Rp116.3m.

German powerhouse for Europe

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1993	% change sterling † Start of 1993	% change in US $ † Start of 1993
Austria	+3.18	+5.87	+0.50	+12.69	+7.85	+5.53
Belgium	+1.15	+8.01	+14.34	+17.76	+12.73	+10.31
Denmark	-0.88	+4.45	+0.54	+20.43	+18.17	+13.68
Finland	+6.91	+14.75	+76.84	+56.41	+45.31	+42.21
France	+1.89	+3.55	+7.75	+9.15	+5.34	+3.08
Germany	+5.38	+6.22	+1.45	+16.24	+11.80	+9.40
Ireland	-1.52	+2.12	+26.84	+33.21	+19.02	+15.48
Italy	+1.68	+5.30	+41.33	+32.63	+26.48	+23.77
Netherlands	+1.86	+4.57	+15.43	+17.15	+12.53	+10.12
Norway	+3.20	+9.63	+14.63	+20.62	+16.53	+14.03
Spain	-0.59	-0.42	+11.33	+20.62	+6.98	+4.68
Sweden	+2.00	+3.31	+27.41	+13.64	+2.89	+0.68
Switzerland	+1.59	+3.98	+28.71	+17.41	+14.89	+12.42
UK	-0.42	-0.56	+18.18	+1.66	+1.66	-0.52
EUROPE	+1.25	+2.47	+14.66	+10.29	+7.35	+5.05
Australia	+0.59	+2.73	+3.79	+11.31	+13.21	+10.77
Hong Kong	-2.20	-3.57	+14.05	+28.69	+31.28	+29.46
Japan	+1.62	-2.47	+26.66	+21.65	+41.79	+38.75
Malaysia	-0.50	-4.34	+39.71	+24.82	+29.82	+26.84
New Zealand	+2.09	+9.19	+9.79	+14.85	+25.71	+23.01
Singapore	-1.12	-2.88	+13.41	+15.52	+19.08	+16.52
Canada	-1.92	-0.05	+6.24	+10.42	+12.27	+9.88
USA	+0.53	+0.45	+8.81	+3.02	+5.28	+3.02
Mexico	+1.00	+5.39	+10.10	-7.58	-5.67	-7.70
South Africa	-0.76	+5.21	+19.59	+32.02	+41.94	+38.88
WORLD INDEX	+0.92	-0.05	+14.93	+10.79	+16.09	+13.60

† Based on July 9th 1993. Copyright, The Financial Times Limited, Goldman Sachs & Co, and NatWest Securities Limited.

By William Cochrane

Europe, up 2.4 per cent in local currency terms and excluding an unsettled UK market, took most of the credit for last week's 0.9 per cent gain in the FT-Actuaries World index. Nordic markets maintained their recent contribution with a rise of 1.9 per cent, bnt Germany was the powerhouse with a climb of 5.4 per cent, virtually all of which came last Wednesday and Thursday.

Dealers were more hullish than analysts on Frankfurt ahead of the event. Mr Patrick Bettscheider, eqnity dealing head at Bank Jnlius Bär in Frankfurt, said last Friday week that the bank was seeing strong US demand for scrip, and that foreign demand for German equities had been a feature of its business over the previous six weeks.

German daily turnover was moderate at that time, in the DM6bn area, but last week it hit a sequence of DM5.2bn, DM8.3bn and DM15.5bn.

In Düsseldorf, Merck Finck said there had been a change in Anglo-Saxon investment attitudes, a feeling that the bottom had been reached in the German economic cycle, a willingness to look through what will be some dreadful results for 1993 into recovery prospects for 1994 and 1995.

In London, however, Nikko Securities, a bear of the market, expresses the donbts which many share over the valuation base of the market. "We believe thet the forthcoming reporting season will reveal that Geman industry is still suffering from the recession and that the turnround is not close at hand," says Nikko in its current German weekly.

"In addition, the underlying structuring prohlems of reduced international competitiveness and resilient inflation have yet to be addressed by the market," adds the Japanese broking house.

"The market is a fundamental sell, but in the near term, inward capital flows and traders' relnctance to he short could mean a brief period of activity around the [DAX] 1,800 level."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY JULY 9 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JULY 8 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (68)	138.60	+0.1	139.70	96.06	124.01	134.68	+0.0	3.72	138.46	137.26	95.05	122.70	134.63	144.19	117.39	145.60
Austria (18)	147.81	+0.4	148.02	102.52	132.34	132.29	+1.2	1.47	147.30	148.03	101.12	130.53	130.66	150.96	131.19	166.79
Belgium (42)	146.96	+0.1	147.07	101.86	131.49	128.66	+1.1	4.45	146.81	145.54	100.77	130.09	127.26	158.78	131.19	149.18
Canada (108)	127.04	+0.2	127.13	88.05	113.66	117.58	-0.1	2.87	128.76	125.69	87.03	112.34	117.69	130.38	111.41	128.86
Denmark (33)	211.58	-1.2	211.74	146.65	189.31	191.29	-0.1	1.19	214.19	212.34	147.04	189.91	191.40	225.64	185.11	244.22
Finland (23)	98.98	-0.8	99.06	68.61	88.57	118.51	-0.1	1.02	99.76	98.90	68.48	88.40	119.59	100.92	65.50	78.88
France (96)	151.71	-0.8	151.82	105.15	135.73	139.22	+0.2	3.24	152.97	151.65	105.00	135.54	138.93	167.36	142.72	163.18
Germany (60)	113.82	-0.4	113.90	78.90	101.83	101.83	+0.5	2.08	114.30	113.32	78.48	101.29	101.29	117.10	101.59	128.99
Hong Kong (55)	284.61	-0.8	284.82	197.26	254.86	283.38	-0.8	3.33	286.97	284.50	197.00	254.32	285.55	301.61	218.82	252.27
Ireland (15)	156.80	+0.8	158.92	108.66	140.30	157.03	+1.9	3.44	155.93	154.58	107.04	138.19	154.08	170.40	129.28	158.82
Italy (70)	87.91	-0.9	87.96	47.07	60.76	80.08	+0.1	2.03	68.54	67.95	47.05	60.73	80.03	72.82	53.76	68.50
Japan (470)	145.73	+0.2	145.83	101.00	130.40	101.00	+1.1	0.82	145.48	144.23	99.87	128.94	99.87	155.96	100.75	100.47
Malaysia (69)	331.63	-0.5	331.97	229.85	296.72	328.79	-0.2	2.06	333.30	330.43	228.80	295.35	329.39	349.34	251.66	247.87
Mexico (19)	1521.04	+2.3	1522.15	1054.26	1360.94	5195.29	+2.4	0.95	1486.21	1473.36	1020.25	1317.03	5072.25	1725.81	1410.30	1394.63
Netherland (24)	166.72	-0.9	166.84	115.55	149.17	147.24	+0.2	3.73	168.09	166.84	115.39	148.96	146.99	172.75	150.39	165.82
New Zealand (13)	52.78	+0.9	52.80	36.57	47.21	50.89	+0.9	4.38	52.30	51.85	35.91	46.35	50.45	52.78	40.56	47.19
Norway (22)	157.03	+0.2	157.14	108.84	140.50	155.96	+1.3	1.69	156.75	155.39	107.60	138.91	154.03	166.21	137.71	173.53
Singapore (38)	248.61	-0.4	248.80	172.32	222.44	186.34	-0.2	1.85	249.52	247.87	171.29	221.12	186.80	262.72	207.04	220.89
South Africa (60)	205.68	-1.0	205.84	142.56	184.03	207.47	-0.8	2.44	207.79	206.00	142.64	184.13	209.14	211.77	144.72	203.93
Spain (44)	122.07	-1.1	122.18	84.61	109.22	122.07	-0.2	4.85	123.37	122.31	84.69	109.33	122.30	132.82	115.23	151.41
Sweden (36)	166.69	+0.2	166.81	115.54	149.15	196.98	+1.1	1.71	166.36	164.93	114.21	147.43	194.87	184.06	149.70	195.27
Switzerland (50)	127.05	-0.9	127.14	88.07	113.89	120.55	+0.1	1.80	128.19	127.09	88.01	113.81	120.40	129.36	108.91	112.33
United Kingdom (219)	171.46	-1.0	171.58	118.83	153.40	171.58	-0.1	4.04	173.18	171.68	118.87	153.45	171.68	181.99	162.00	190.68
USA (519)	183.47	-0.1	183.80	127.17	164.16	183.47	-0.1	2.79	183.91	182.02	126.05	162.71	183.61	186.27	175.38	168.79
Europe (752)	142.98	-0.8	142.98	99.03	127.84	137.70	+0.2	3.23	144.01	142.78	98.86	127.62	137.45	149.02	133.92	154.25
Nordic (114)	160.29	-0.3	160.41	111.10	143.42	165.42	+0.7	1.50	160.72	159.33	110.33	142.42	164.31	171.77	142.13	180.96
Pacific Basin (713)	149.61	+0.1	149.72	103.70	133.87	107.53	+1.0	1.10	149.48	148.17	102.80	132.45	106.50	159.07	105.89	107.11
Euro-Pacific (1465)	146.74	-0.3	148.85	101.70	131.29	120.11	+0.6	1.95	147.11	145.84	100.96	130.36	119.34	154.05	117.26	126.17
North America (627)	179.95	-0.1	180.08	124.74	161.04	178.98	-0.1	2.79	180.07	178.52	123.63	159.60	179.12	182.38	171.51	188.27
Europe Ex. UK (533)	124.82	-0.6	124.91	86.53	111.71	117.98	+0.3	2.69	125.63	124.54	86.26	111.35	117.58	128.65	112.51	132.00
Pacific Ex. Japan (243)	186.18	-0.4	188.30	130.44	168.37	173.56	-0.3	3.17	188.88	187.25	129.68	167.39	174.12	184.08	152.70	172.47
World Ex. US (1652)	147.52	-0.2	147.63	102.28	132.00	122.24	+0.6	1.96	147.86	146.58	101.51	131.03	121.43	154.27	118.51	127.87
World Ex. UK (1952)	157.31	-0.1	157.43	109.04	140.77	138.05	+0.4	2.11	157.45	156.09	108.09	139.54	137.51	161.34	134.22	135.96
World Ex. So. Af. (2111)	158.35	-0.2	158.47	109.77	141.70	140.62	+0.4	2.29	158.51	157.24	108.89	140.56	140.11	162.74	137.29	140.33
World Ex. Japan (1701)	167.25	-0.3	167.37	115.93	149.67	163.67	+0.0	2.94	167.78	166.33	115.19	148.71	163.66	170.05	157.47	163.21
The World Index (2171)	158.56	-0.2	158.70	109.92	141.90	141.17	+0.4	2.29	158.85	157.48	109.05	140.78	140.68	162.66	137.32	140.70

Constituent changes with effect 13/7/93: Addition: Woolworths (Australia). Deletion: Reininghaus Brueder (Austria). Latest prices were unavailable for this edition.

هكذا من الأصل